

Social Order

OSWALD VON NELL-BREUNING

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GODFREY E. BRIEFS

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Festschrift

for

Goetz Briefs

Books • Comments • Letters

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... just a few things:

SOcial ORDER is happy to turn this issue into a *Festschrift* for Professor Goetz Briefs. Our single regret is that the limitations of space made it impossible to invite a larger number of his associates and former students to participate in this gesture recognizing the man and his work. Meager though it be, such a gesture in its simple sincerity has a significance: it asserts that a career dedicated to arduous intellectual effort, to transmitting our central cultural heritage, making it relevant to changing conditions, to forming honest scholars, that such a life is a good one and merits praise. Such praise is not only a deserved reward; human nature being what it is, it is a stimulus to others, not least to younger men who, by choosing a career of teaching and scholarship, have turned their backs on more tangible and spectacular rewards.

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It is only proper that a symposium honoring Professor Briefs should concentrate on Germany. It is fortuitous (but fortunate) that the discussions presented in this issue will appear just before the Foreign Ministers meet in Geneva to begin negotiations on the fate of Berlin and allied questions affecting the peace of the world and the future of freedom. The stake has been described by Luigi d'Appolonia, S.J., in the April issue of our sister review, *Relations*, of Montreal:

The Berlin question is the crossroads where the problems not only of German unification, of Europe's security, of dis-

armament, of the freedom of East Europe meet; it is also the juncture of the roads towards a world ruled by law or one governed by a policy of force. To negotiate is to know—and at the proper moment—how to concede the incidental to gain the essential and to do this without mistaking the one for the other or of yielding to blackmail; for the very fact of our negotiating gives the unscrupulous, monolithic Soviet Union the hope of exploiting our fears, our tardiness, our evasions and equivocations, our conflicts of interest, our preoccupation with partisan political advantages for future elections to be squeezed from even international discussions. It is clear what an appreciation of the common good, what imagination, what prudence and patience and, above all, what unity the statesmen of the West must demonstrate. Their common position must have a single goal: to maintain the freedom of those who have it and to restore it to those who have lost it.

If through cowardice we were to abandon the 2.5 million people of West Berlin, we would lose Germany; if we were to lose Germany, we would lose Europe; if we were to lose Europe, the years of our own freedom would be numbered.

•

Father von Nell-Breuning observes in a footnote on p. 204 that it would be interesting to compare the effects of Marshall Plan aid in Germany and in another country. A comparison with a nation which received more American economic aid than did Germany was made by Professor David McCord Wright in a brochure, *Post-War West German and United Kingdom Recovery*, published by the American Enterprise Association in 1957. Assessing

the statistical analysis of Professor W. O. Thweatt, Wright notes that

whereas German per capita income was only three-fourths of Britain's in 1949, she had by 1956 slightly surpassed the British level. Still more striking are the figures on real wages. Real wages in the U.K. between 1948 and 1956 rose from 100 to 107. In West Germany during the same period they rose from 100 to 190! And this increase in real wages was not accompanied by large-scale increases in costs. Between 1948 and 1956 retail prices in the U.K. rose from 100 to 145. They fell in West Germany from 100 to 95.

Professor Wright finds a significant difference in the rises in productivity of the two countries: between 1946 and 1956 in the U.K. productivity rose from 100 to 134; in West Germany from 1948 (the first comparable year) to 1956 it rose from 100 to 214! One of the results:

Thus taking the year 1950 as 100 for each country it will be seen that, starting together, West German wage costs are now only 82 per cent as high as those of the U.K.

Differing economic environments supply the basic explanation for the differing economic performance in Wright's view:

A famous English scientist once summed up to the writer the difference between a socialist and a capitalist in the following terms: "A capitalist," he said, "is a man who, if he himself is living well, doesn't mind if others are living better. A socialist, on the other hand, is a man who doesn't care how badly he himself is living as long as nobody else is allowed to live better." Possibly, in the difference of the two attitudes indicated here, one may find something of the basic reasons for the "German miracle."

Professor Wright would undoubtedly find it characteristic of the differing economic environments that the West

German government is divesting itself of hundreds of millions of dollars in properties while, at the same time, the British Labour Party is promising to renationalize the country's steel industry if it should return to power in the next elections. The German state properties, including the fabulous Volkswagen firm (its annual sales are six times its capitalization), are offered as stock to individuals whose taxable income is not greater than \$3,800 a year, with each buyer being limited to five shares. The idea is to get the government out of commercial enterprises and to strengthen the nation's social fabric by giving the "little man" a bigger ownership stake in the economy.

Professor Hermens is surely correct in reminding us that Germany's economic recovery owes much to the political environment in which it took place. It is odd to recall how recently it was that the most vexing problem for Foreign Ministers was "The German Question." The problem was how to control the rampant nationalism and aggressive expansionism of the German nation. As a result, the vindictive (and unviable) Morgenthau Plan shocked few when its outlines became known toward the end of the war. Even so unblemished a patriot as Wilhelm Roepke advocated a political decentralization for Germany that would have meant a return to the pre-1848 jigsaw puzzle of free cities and small principalities.

That present day Germany has recovered the roots of her more universalist traditions and in so doing has effectively led the movement for an

Europe transcending national particularities is the measure of the massive achievement of Konrad Adenauer. With Professor Hermens, one is evidently uneasy as *Der Alte* removes himself from the direction of his country's affairs. With Professor Boarman, one is reassured upon surveying the record of his probable successor, Ludwig Erhard.

•

Neil Hurley's description of the refugees who arrive unremittingly in Berlin illustrates the issues at stake in the coming Geneva discussions.

One of the tragic aspects of our present world has been the phenomenon known as "voting with one's feet," the pitiable parade of refugees fleeing communist terror. Hong Kong, the Bridge at Andau, the 38th and the 17th Parallels, Trieste and Berlin are not merely gates to freedom; they are polling booths against tyranny. These people crowding the reception centers of West Berlin are not revolutionaries, defeated in their effort to overthrow the regime imposed on them. Nearly all would have been content if they were allowed the last privilege of silence. Even that luxury is forbidden by the schoolmaster state which must own the minds and souls of its subjects if it is to remain in power. Such a determination is clear in the following oaths required by the East German regime, as reported by an anonymous Protestant pastor in the March *Background Information for Church and Society* newsletter of the World Council of Churches:

My studies are a mark of respect in our workers' and peasants' state. Therefore I undertake the requirement of supporting the policies of the government of the

DDR and on the basis of dialectical and historical materialism to gain a comprehensive education which at the conclusion of my studies I shall place at the disposal of our workers' and peasants' state for the extension of socialism.

During the time of my studies I shall cooperate in building up socialism in industry and agriculture. I shall obey the constitution, laws and regulations of our state, the articles of my university, and the regulations for study, and shall faithfully perform my duties proceeding therefrom. I bind myself after study in accordance with legal stipulations to join the pool of university graduates for three years, to work at the place where the organs of our workers' and peasants' state appoint me, according to the exigencies of the building up of socialism.

•

In a remarkable speech on the Berlin crisis, delivered in the Senate on February 26, Senator Thomas J. Dodd asked how long we could be expected to continue in our present policy on Germany. He answered:

The struggle between freedom and communism is not one of months or even years. It may be a matter of decades or of generations. It may be that generations of Americans will have to stand on the present line of West Berlin to prevent the communists from standing on the Rhine River. Our enemies understand this and it is about time that we do.

All thoughtful Americans cannot but endorse the statement of the Catholic Association for International Peace, issued on March 5 over the signature of Harry W. Flannery, CAIP President: "The United States and the other free nations of the world must keep West Berlin free in order to realize the eventual reunification of all the German people in freedom and to preserve world peace."

EDWARD DUFF, S.J.

Goetz Briefs'

IF THE BOY is father to the man who became an internationally renowned political economist, my account of Goetz Briefs should begin with his childhood. Yet it ought first be admitted that the boy to whom the political economist is the father is not necessarily the best qualified professionally (and obviously not qualified at all in terms of impartiality) to record the details of the career. These initial explanations are not for my starting point, but for my quite personal starting premises.

Eschweiler is a small town a few miles east of Aachen (Aix-la-Chapelle) and a few miles west of Belgium. My father was born there with the new year, 1889, and the scenes of his early childhood forecast to a good degree his later habits of mind and viewpoints.

The cathedral at Aachen harbors the remains of Charlemagne, father of a United Europe, and in particular of the union of the German and the Gaul. Certainly my father was not less influenced by the memory of that first Holy Roman Emperor than the rest of the people of that region, all highly aware of their proximity to the resting place of that illustrious king.

Dr. Briefs is Manager of the Statistical Department at General Motors, Detroit.

That Eschweiler is a border-town is likewise not easily forgotten by the inhabitants of that region. Ties of blood and friendship bind the citizens to places like Liege and Brussels almost as much as to Cologne, Bonn and Dusseldorf.

It only remains to mention that Eschweiler's mixed economy included at least one fair-sized steel mill, a coal mine, and a few smaller producers of iron and steel products. Industry, factories, labor and management—all formed a part of his early environment.

Goetz Briefs' secondary training was at the gymnasium in Eschweiler which stressed—as German institutions of this kind usually do—the study of the Classics both Greek and Roman. To this day father is able to recite lengthy stanzas from the *Iliad*, the *Odyssey*, from Virgil's *Eclogues*, Horace, Tacitus' *Germania*, and Caesar's *Gallie Wars*. History was another subject that was stressed at the Eschweiler gymnasium; father's intense interest in the past, be it political history or the history of ideas, has never left him throughout his life.

His university training took him to Munich, where he studied under Lujo Brentano, and later on to Freiburg where he became a special favorite of

Life and Work

GODFREY E. BRIEFS

von Schulze-Gaevernitz and Karl Diehl. Schulze-Gaevernitz, incidentally, was Max Weber's successor. Through him father became acquainted with Weber's realm of ideas which the latter was then laying down in his *Calvinist Ethos* and *Sociology of World Religions*.

In 1912 Goetz Briefs published his doctoral dissertation *Das Spiritus Kartell* (The Whiskey Cartel), an analysis of price formation in a branch of industry which was based on agricultural raw materials but competed in industrial markets. The merits and feasibility of competitively determined prices in an industry positioned between these types of markets was the core of the problem.

This work was followed by *Untersuchungen zur Klassischen National-oekonomie* (Inquiries Concerning Some Aspects of Classical Economics), an analysis of the metaphysical and ideological premises of the economics of Smith, Ricardo, Malthus, and James and John Stuart Mill. This study was the immediate fruit of an English fellowship in 1912 which constituted his first direct and personal contact with Anglo-Saxon habits of thought and institutions. During a second sojourn in England (1926) Sidney and Beatrice Webb, Graham Wallace and R. H.

Tawney were among his numerous acquaintances.

The advent of World War I brought him to Berlin where he was active as an economist in a number of positions connected with wartime food administration, munitions supply, and later with demobilization. Following the war, Goetz Briefs became Assistant Professor at Freiburg and in 1923 was appointed full Professor of Economics, occupying the post previously held by Max Weber and von Schulze-Gaevernitz.

The ensuing decade was an active and productive one for Goetz Briefs. Of the numerous books and articles that came from his prolific pen during this period, he would particularly want remembered his *Decline of the West: Christianity and Socialism* (1920), a challenge to Oswald Spengler's historical determinism and a re-emphasis of the Christian doctrine on the freedom of the human will.

Into this period (1926) also falls his *Proletariat*, originally written as a contribution to *Grundriss der Sozialoekonomik* (Max Weber was the editor). The book is an historical, sociological, and economic study of the proletariat and its changing conditions under the influence of a shifting social and eco-

nomic environment. This work, later to be published in expanded form in this country, derived much of its stimulus from Werner Sombart and Karl Marx whose theses were critically examined within its pages.

Another major contribution of this time was *Unionism and Union Policies* (*Gewerkschaftswesen und Gewerkschafts-politik*), which he wrote for the German Encyclopedia of Social Sciences in 1927. In this analysis he showed how trade unionism permits the differentiation of human services from mere commodities in the market place. Scrutinizing in particular the supply side of the labor market, he emphasized its bias toward over-supply and critically contrasted his theory of wage determination under unionism with the classical view of price formation in a system of pure competition. To his mind the latter was a marginal case applicable primarily in times of depression. He underscored the ethical aspects of the wage formation process and the role that unions ideally could play in defining humane working conditions in trade and industry. This work was partly intended to refute the position of Lujo Brentano, his former teacher, who held that labor unions through their unemployment benefits and through the removal of marginal labor from the market permit the treatment of human services as a commodity in the classical sense.

Freiburg friends

Goetz Briefs' Freiburg period was not only one of fruitful scholarly application in the field of his choice; it was also a time of less formal enquiry into neighboring disciplines, including

philosophy, theology, political science and sociology. His home was a likely center of academic discussion where many well-known scholars of that day were among the numerous guests enjoying his hospitality. Max Scheler, the brilliantly gifted but unfortunate author of *Formalism in Ethics* was one of these. The philosophers Edmund Husserl, Fedor Stepun, Sergius Hessen and occasionally Martin Heidegger belonged to the circle.

In 1926 Goetz Briefs accepted the invitation of the Prussian Minister of Education to join the faculty of the Berlin Institute of Technology—now the Technical University of Berlin. There followed years at the German capital which were fascinating and challenging both because of the growing importance of economics and industrial relations from the point of view of public policy and also because of the growing responsibilities which Briefs had assumed in connection with the management of the Institute for Industrial Sociology and as editor of *Wege zur Arbeit*, a monthly magazine dealing with problems of employment and industrial relations. In addition he was Associate Justice in the Federal Cartel Court. In 1928 the German Foundation for Social Research sent him to the United States to study industrial relations in this country and the German Ministry of Education sent him on a similar mission to Spain in 1931.

The year 1933 saw the advent to power of the Nazis, an event which he had feared and opposed. As a Christian he was appalled at the neo-paganism of this movement. As a scholar accustomed to speak his mind, he was distressed by the suppression of free speech and the muzzling of all opposition. The

cold-blooded assassination, in 1934, of some thousand persons, including a number of his associates, convinced him that this regime begotten in violence could only end in violence. The only course open to him was to emigrate, a difficult decision for one so attached to his native soil, doubly so for one who had just achieved a measure of distinction in his chosen career. The wisdom of this decision was later confirmed by the discovery that repeated attempts to arrest him had been made shortly after his departure.

Comes to U. S.

At the age of 45, then, Goetz Briefs moved his family to the United States. Here his first teaching assignment was at the Catholic University of America where he was warmly welcomed by Bishop John Ryan, then President of that institution. Three years later he joined the faculty of Georgetown University, a post that he was to occupy with distinction for the remainder of his teaching career. With the encouragement and staunch backing of a succession of Graduate School Deans of the caliber of Fathers Hogan, Philips, Parsons, and Daley, he resumed his scholarly endeavors. He became a frequent contributor to such magazines as *Review of Politics*, *America*, *Commonwealth*, *Social Research*, *SOCIAL ORDER*, *Review of Social Economy* and similar periodicals.

The legislation of the New Deal era, the growing economic and political power of unionism in the United States and the deteriorating international situation provided challenging topics for his untiring pen. In 1937 he published the expanded English version of the

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Proletariat which soon became a classic of its kind in this country. His growing reputation led to a succession of Summer School assignments at Columbia University where he developed ties of friendship with Professors Horace Taylor, Carter Goodrich, Raymond Saulnier and Arthur R. Burns.

Government service

The outbreak of World War II provided him with additional opportunities of serving the country of his adoption as a consultant to the Antitrust Division of the Department of Justice, the Office of Strategic Services and the Department of Defense.

Among Briefs' numerous postwar publications, two deserve special mention: *Between Syndicalism and Capitalism* (1952) and *Unions Yesterday and Today* (1955) (both published in German and translated into Spanish; English and French translations are in preparation). In these books he again dealt in a fundamental way with what is undoubtedly the most important social problem of our epoch, namely, the metamorphosis of the union movement from a combative instrument of the "laboring poor" into the vast and powerful organization of "established unionism." This he feels is an end phase of the labor movement, representing a hardening block of bureaucratized power which, perpetually seeking new goals, threatens to overturn the foundation of our free enterprise.

His latest analysis of these competing social forces is to be found in "The Ethos Problem in the Present Pluralistic Society" (*Review of Social Economy*, March, 1957). Its thesis might be summarized in these words:

The [preceding] sketch of the features of 19th century democracy suffices to show the long road Western nations have since travelled. The truly momentous constellation of our era is the meeting of the second phase of liberalism with the tertiary phase of democracy.

The resultant hybrid leaves the seed of economic imbalance, of continued social unrest Strictly rational decisions, most of all of a long run nature, are hard to make and harder to carry out. It is the irony of history . . . that the era of rationalism ends up in its own dialectical negation. Shortrun and merely institutional "rationalities" of a multitude of interest groups block over-all and longrun national decisions Hence both the [social and economic] groups and the government become concerned about the "next step"; and the next step is formal or informal collusion among powerful groups and their accommodation through government action or inaction plus a loosening of the checks on inflationary forces.

To sum up: The question "Can the pluralistic society be identified as 'ordered unity out of multiplicity'?" must be answered in the negative. Pluralism has neither an autonomous economic nor an autonomous social principle nor an autonomous political credo.

In the course of a life dedicated to the study of man in his relations to church, state and society, Goetz Briefs was accorded many honors. Both Saint Mary's (California) and the University of Milan awarded him honorary doctorates and, on January 23rd, 1959, Theodor Heuss, President of the Federal Republic of Germany, decorated him with the Grand Cross of the Order of Merit.



West Germany's Economic Revival

OSWALD von NELL-BREUNING, S.J.

IN HIS NATO SPEECH in Paris in December, 1957, President Eisenhower listed a number of erroneous notions that the free world would have to give up. The gravest of our illusions, the President declared, is the belief that "our free system is of its very nature more productive in every respect than a totalitarian system." And it is a fact that the free market economy is not necessarily superior, performance-wise, to the centrally administered economy; Sputnik has demonstrated that the centrally administered economy of the Soviet Union is capable of technical accomplishments which surpass even those of the U.S.A. Moreover, the speed with which the Soviet Union has transformed an almost wholly agrarian country into a modern industrial state and the uninterrupted rise in Soviet productivity are a striking refutation of the assumed superiority of the free economy.

The totalitarian system is nonetheless regarded with abhorrence because

it is inimical to human freedom. But this is a consideration of the same order which includes our reservations with respect to a *laissez-faire* system. What is at issue in the present article is the productivity or efficiency of an economic system, its power of accomplishment, irrespective of whether the methods employed are humane or inhuman and evil.

It has become customary to view the astonishingly rapid recovery of the West German economy from the state of total collapse and stagnation which characterized it from 1945 to 1948 as a kind of experimental proof of the incomparable superiority of a "social market economy" and of the economic principles by which such a system functions. As particularly convincing evidence of this superiority we are invited to compare West German economic accomplishments with those of the Soviet-inspired centrally administered economy of the East German Republic. It is very apparent that the recovery of the Eastern zone has lagged far behind that of West Germany. But here, too, we cannot ignore the fact that the gap, though

The author is best known to American readers for his Reorganization of Social Economy, published by Bruce, Milwaukee, 1937.

still great, is narrowing and that the centrally administered economy of the East German Republic is catching up: in short, that it is (for the present at least) growing at a faster rate than the West German economy. For these reasons it would seem to be worthwhile to investigate the real causes of the indubitably brilliant and occasionally envied "German economic miracle."

The background

It is necessary to consider first the attitudes and policies of the Occupation Powers.

In the beginning, all four of the Occupation Powers adopted a series of measures, some of which were aimed expressly at holding down the German economy and others which, though differently motivated, had the same effect. To measures of the first kind belonged the dismantling policy and the Potsdam plan, which aimed at nothing else than to keep German industry so small and backward as barely to supply German needs and in no case to permit Germany to appear as a competitor on world markets. Organizations such as JEIA (Joint Export Import Agency) which controlled all German transactions with other countries had the real (if unavowed) aim of strait-jacketing the German economy. This aim was realized to an extent which it is difficult to conceive of today. The almost explosive expansion of German foreign trade after the dissolution of JEIA speaks an unmistakable language! The watertight separation of the four occupation zones from one another

was doubtlessly effected on grounds which had little or nothing to do with economics but the result was to break up the hitherto homogeneous German economy into so many pieces that not one could survive by itself. In addition, the first years after defeat saw not a few of the functionaries of the Occupation Powers engaging in underhanded methods (out of their ignorance or animosity) which severely handicapped the revival of the German economy.

As far as the western part of Germany was concerned, however, these conditions endured for only a relatively short time. The Western Powers, beginning with the Americans, performed a complete and thoroughgoing about-face. This began with the creation of the so-called "United Economic Area." First, the American and British zones were consolidated economically in Bizonia; then, after some hesitation, the French occupation authorities agreed to add their zone, creating Trizonia. The Soviets, however, continued to maintain their zone as a separate entity and transformed it into a satellite state. Since there was little likelihood that they could succeed in incorporating West Germany into their satellite kingdom, the Soviets sought in this way to perpetuate the division of Germany and to draw whatever advantage they could from the situation.

After a long postponement of currency reform by the Western Powers (who had hoped for a four-power agreement, *i.e.*, Soviet approval of a currency system applicable to all Germany), a new currency was finally established for the "United Economic Area" on June 20, 1948. The Soviets

replied by creating another currency for their satellite state. The new economic life of the "United Economic Area," later to be known as the Federal Republic of Germany, really began, then, on June 20, 1948.

Controlled economy dismantled

With the introduction of the new currency (subsequently, one of the hardest in the world), an indispensable condition for economic revival was created; this was the necessary first step to which other measures were added. The remnants of the planned economy apparatus of the Nazis (and variations of the same introduced under occupation rule) had to go since they had solidified into an insuperable obstacle to the orderly processes of the economy. The whole planned economy system was from the beginning strongly centralistic in its approach and emphasis; on this account alone, it was bound to collapse when the German economy was split into the watertight sectors of the four zones.

Under the Nazi terror, the command economy functioned in a very acceptable manner. But when the terror (the Gestapo, the concentration camps, etc.) had ceased and respect for the authority of the state had sunk to zero, the necessary conditions for the functioning of the Nazi economy no longer obtained. To discard the broken and rotten hulk of the planned economy wherever possible (the control of rents and housing cannot even today be entirely dispensed with!) was the task of the hour.

It was not surprising to discover that the now extensively liberated but not yet fully "free" economy func-

tioned incomparably better than the planned economy at the time of its dissolution. Justice requires recognition of the courage of those who dared—in the face of heavy opposition and criticism both on the part of Germans and of the occupation bureaucracy—to "take the plunge into the cold water of the market economy." Economic science deserves credit for having furnished the theoretical foundations for this step, though the actual decision had to be taken by politicians. In retrospect, it seems a pity that the agents of our economic revival were not a bit more courageous. For even stronger determination to throw overboard the remnants of the moribund planned economy would have led to still greater successes.

From the organizational point of view, then, two obstacles were removed: the zonal borders (though only amongst the three western zones) and the shackles of the planned economy. And a positive condition for success was created, *viz.*, a stable and orderly currency, for which foreign exchange rates had been set with surprising accuracy.¹ These organizational changes would not have been sufficient by themselves to ensure suc-

¹ At the outset, the Deutsche mark (DM) was slightly overvalued. Nevertheless, at the time when the English pound and other currencies were being devalued (Fall, 1949), the German mark was regarded as already so strengthened that it was permitted only a relatively smaller degree of devaluation (which amounted to a revaluation when the mark was compared with the more rapidly depreciating currencies of the devaluing nations). The proposals made in 1957 to revalue the D mark merely reflected the fact that while other European currencies had become softened and eroded by inflation, the German mark had remained hard and, consequently, was now undervalued in relation to these other currencies.

cess. A blood transfusion was required to provide the food and raw materials that were necessary if a new beginning were to be made. The power-swollen economy of the U.S.A. supplied this blood transfusion in the form of the Marshall Plan.

It is clear that the Marshall Plan, as its very name proves, was not a market economy device but a thoroughgoing planned economy measure. The zealous singers of the praises of the market economy do not care to recall that it was this planned economy measure called the Marshall Plan which put the "social market economy" in the saddle and enabled it to pluck the beneficial fruits of this planned economic aid. No one in Germany, of course, is unappreciative of the Marshall Plan. It is certain that German gratitude for the help extended by the American people in the shape of the Marshall Plan is sincere ("was" sincere is perhaps a more appropriate term, for in our fast-living age the Marshall Plan and the whole complex of events and conditions associated with it have been all but forgotten). But regardless of the sentiments which the Marshall Plan excites or excited, there can be no doubt whatever that it made the German revival possible or, at the very least, was a powerful factor in assisting and expediting it.*

The attitudes and behavior of the victorious Powers, in particular the Western Powers, both in 1944 when

they had victory within their grasp and again in 1945 and 1946, was foolish in the extreme. The conquerors did, nonetheless, experience a change of heart. In a surprisingly short time, the prideful contempt of the victors yielded to a new approach, one doubtless occasioned by insight into their own enlightened interests but also motivated by sympathy and understanding for the conquered.

Deconcentration laws

In this connection, a word must be said about "decartellization." This expression describes two distinct phenomena: 1. the so-called "deconcentration" of the largest German enterprises in the fields of banking, chemical manufactures, and mining and 2. the effort of the Americans to transplant to Germany the principles of their own anti-monopoly legislation (the Sherman Act, etc.). Originally, both measures aimed at injuring and hampering the German economy. The anti-monopoly laws were later reinterpreted and reapplied for the purpose of strengthening the German economy. The first results of the policy of deconcentration were undeniably to handicap German revival and prejudice Germany's competitive position on world markets. At a later date, when some "reconcentration" was permitted, a beneficial result of the original policy was observed: many of the deconcentrated enterprises had not been very rationally organized. In the new situation, more rational methods were followed and a type of industrial organization developed which was superior not only technically but above all

* It would be interesting to investigate the matter of why the Marshall Plan, though it channeled a far larger amount of aid to some other countries than to the Federal Republic of Germany, produced comparatively less satisfactory results in those countries. But this goes beyond the limits of our present inquiry.

in management methods to the older enterprises.

Discussion of Germany's anti-monopoly law was carried on until late in the year 1957. Up to the moment when the German "law against restraints of competition" went into effect (January 1, 1958), the anti-monopoly regulations of the occupation powers (based on American practice for the most part) were applicable; more correctly, these regulations still stood on the occupation statute books. The rules strictly forbade everything which even remotely resembled a cartel agreement or which had a cartel-like character. Had these regulations been applied, the economy of the German Federal Republic today would be either the paragon of a perfectly competitive economy or it would have succumbed to such strong medicine. After sovereignty had been returned to the Germans by the occupation powers, these regulations practically ceased to be applied. The former occupation authorities and now "allies" were anxious to avoid interference in German affairs; at the same time, German officialdom was understandably reluctant to impose penalties and other sanctions as a means of executing an occupation law in whose preamble the permanent repression of the German economy was set forth as an objective and whose replacement by a German law was expected at any time.

Thus, while competition was being ideologically acclaimed, cartels enjoyed a respite, not to say a golden age, so long as they avoided embarrassing authorities by disagreeable behavior in public. Price agreements ("fair trad-

ing") among retail distributors was, in fact, partly legalized at this time. In the case of branded articles, distributors' agreements not to compete pricewise with each other have not been affected even by the new German law. On the contrary, the legality of such price collusion is expressly preserved therein.

Neo-liberal economic policy?

In the light of these considerations, it is not easy to answer the question of what kind of economic system has been responsible for Germany's revival. This system was in any case (and is today to a considerable degree) a very complicated and even contradictory system, one which is very different from that which the official ideology of the "social market economy" celebrates. At the same time, it must be added that the market economy sector has been continuously enlarged; whether the same can be said of its "social" character is another question. If the economic system of West Germany was anything but homogeneous, so also was its economic policy for which a large number of ministries was and is responsible. Up to the present, these bodies have for the most part pursued their own independent policies, though conceivably a greater degree of coordination could be effected in the future.

In the agricultural sector, there existed and still exists a system differing only in unessentials from that which prevailed under Nazi rule. In the housing sector, rent controls still prevail over a wide area; interest rates on mortgages are subject to legal control;

and tenants continue to enjoy certain special advantages over landlords.³ In sum, the housing market has been and will continue to be subject to large dosages of economic compulsion and government intervention. With respect to the communications and transportation sector of the economy, a satisfactory formula of control and regulation has not yet been found, a situation it may be noted in passing, which is typical of a good many other countries as well. The result is that we find considerable experimentation being carried in the latter sector.

There is no doubt about the fact that the Federal Ministry of Economics is adhering to the principles of the competitive economy as far as it can do this under the given circumstances and to the extent that it is competent in the matters that come before its attention. This competency is much more restricted than the name Ministry of Economics would lead us to suppose. The result is that the ideology and program of the social market economy have run far ahead of the reality.⁴

³ It should be noted that comprehensive legislation to dismantle most of the remaining controls on housing and to take the German Government out of various fields of enterprise in which it has hitherto operated is currently being debated by the German Parliament.—*Translator's note.*

⁴ The fact that Economics Minister Erhard was made Vice Chancellor and Chairman of the Economic Cabinet (meaning that he is now in effective control of both fiscal and economic policy—*Translator's Note*) should make it easier for him to bring the other ministries more or less around to his point of view. But more than that, his own economic program is much less doctrinaire and much more realistic than the official or officious neo-liberal ideology. His publicly expressed views, for example, are delivered not primarily in his capacity of scientist and still less of professor but, as befits his office, in his capacity of politician and statesman concerned with the practical effects of economic policies.

Success defies theory

There is no doubt but that exchange control constitutes a far-reaching interference into market processes. Roepke is thoroughly correct in his observation that exchange control penetrates so deeply into all sectors of the economy that it confers on the economy as a whole the character of a centrally administered (planned) economy. The Federal Republic has, in the course of years, dismantled almost the entire apparatus of exchange control which it inherited, so that the D mark enjoys what amounts to a *de facto* convertibility; this is certainly an admirable success; it is at the same time a proof that the Minister of Economics takes his profession of faith in the competitive market economy seriously. But even at a time when the apparatus of exchange control was still largely intact, the official oratory would have had us believe that the free, competitive economy had already been realized in Germany.

The neo-liberal ideology and in particular the "Freiburg School"⁵ is zealous in its propagation of a simon-pure competitive economic system and makes economic success depend on such homogeneity. The real economic system of the Federal Republic of Germany was and is, as shown above, everything else but uniform and homogeneous. The rapid recovery of the West German economy is strictly speaking, therefore, a sin against the liberal theory, but it is a fact. Consequently, forces must have been at work which brought about this revival. What are these forces?

⁵ Walter Eucken, Franz Boehm, et al.—*Translator's Note.*

Sources of economic revival

It is an economic axiom of long standing that the process of reconstruction which follows extensive destruction brings into play unsuspected forces which, under other circumstances, are either non-existent or dormant.

A sharp upward surge in the propensity to invest is manifested. The man whose house was bombed has no peace until he has bought or built a new one. And this new house must be not only as roomy, as luxurious, as handsome as the one which was destroyed, but it must satisfy the higher standards of comfort and luxury in effect today; it must have the technical improvements which are customary for other new dwellings. Similarly, the businessman whose plant was dismantled cannot rest until he has succeeded in building a new plant. The older (now dismantled) plants had been constructed over a period of years and all too often this process of slow expansion had resulted in an accumulation of impractical and technically outdated methods. New plants, obviously, had to be built as rationally as possible, that is to say, their builders had to incorporate the latest technical advantages available to the given industry.

A wish, however, does not necessarily bring its fulfillment, nor even the possibility of fulfillment. If we posit a significant over-all increase in the propensity to invest (and the more widespread and severe the destruction the more this will be the case), the result will be that the investment ac-

tivities of one businessman will give rise to investment activity on the part of another, assuming the availability of the minimum necessary labor, consumer goods, and raw materials. Now it is a fact that in West Germany not only was labor available in the required minimal quantities but a stream of refugees and expellees enormously augmented the labor supply. At the same time, the Marshall Plan provided the food and raw materials, hitherto lacking.

In sum, the stage was set for the tumultuous economic revival which followed. The only question was: would this process end with reconstruction (expanding this term to include the improvements and refinements referred to above)? Or would the economic upswing continue beyond reconstruction needs?

Financing the boom

Investments must at all events be paid for. How were they in fact financed?

For this, not only was a healthy currency and a functioning machinery of credit required, but also an enlightened administration of credit policy. The central banking system^o of the Federal Republic performed its task in an admittedly masterful manner. The central bank cannot be blamed if excessive burdens were laid upon it due to economic ineptnesses in other sectors. On the contrary, the central bank merits admiration for its

^o This system consisted until July 31, 1957, of the *Land* central banks with the *Bank deutscher Laender* at their head. The *Bank deutscher Laender* had its name changed on August 1, 1957, to the German Federal Bank (*Deutsche Bundesbank*).

ability to deal effectively with these difficulties as well. In achieving its avowed objective of maintaining adequate and continuous control over the money market and the commercial banks, the German central banking system was remarkably successful.

The effort to re-establish a functioning capital market, however, proceeded very slowly and until the end of 1956 with almost no noticeable results. The years 1957 and 1958 brought a heavy increase in private saving (conjoined, curiously enough, with a mild recession) and in consequence a strengthening of the capital market which surpassed all expectations. At the same time, it had become apparent that business enterprises were procuring a disturbingly high percentage of their investment funds from retained earnings and were resorting to price increases as a means of expanding this source of capital. (There is controversy as to whether higher prices gave rise to this type of financing or whether internal financing resulted in higher prices. Most probably a mutual interaction of cause-and-effect relationships is involved.) The government, too, was engaging in an undesirable degree of investment financing, using its tax and other revenues for this purpose (further evidence of how far removed the West Germany economy was and is still from a pure market economy!). Private formation of capital, insofar as it was carried on at all, was spasmodic and uncertain. Apart from insurance savings, the capital in private hands flowed not into long-term securities markets but into savings accounts, short-term securities, and other near-money. This, in

turn, left banks holding excessive quantities of liquid funds which were subject to sudden and irregular fluctuations.

In spite of these unevennesses, not only did the German economy succeed in obtaining the investment funds necessary for its revival phase but the problem of financing German industry, both now and in the foreseeable future, may be regarded as largely solved.

Moderation of unions

It might have been expected that the procurement of investment funds from firms' receipts would have led to a generally higher price level and, in consequence, to a worsening of Germany's competitive position on world markets. That this was not the case is due in the first instance to the remarkably difficult wage policy pursued by the German labor unions long after the wage controls introduced by the Nazis and maintained by the Occupation Powers had been dropped. The truth is that in the difficult years of reconstruction, the German worker contented himself with a wage which was just sufficient to enable him to buy the consumption goods which the still feeble German economy was able to produce; he resisted the temptation to buy and to consume more than was available at the time. In spite of the backlog of real need for basic consumption items which had accumulated during the years of privation, the German worker agreed that the output of consumption goods should be held down in favor of maximum output of investment goods.

The fact that the German worker

did not obtain a fair share of ownership in these investment goods is the principal blemish on Germany's revival. Paul Jostock has branded it as nothing less than a "scandal." There is urgent need of an examination of conscience about what could and should have been done to prevent this scandal and what ought to be done now to atone for it. But to expand on this point would carry us beyond the limits of the present inquiry.

International economic influences

It is no secret, of course, that, in spite of the extraordinary self-restraint practiced by the German labor unions in the first years of revival, there was a perceptible rise in prices. The question of why the German economy nevertheless retained its competitive advantage on the world market requires an answer.

One explanation is that the tendency for internal business financing to replace the traditional type of investment financing through capital markets was proceeding apace in other countries as well, including the U.S.A. What followed was a general rise in prices in these countries, similar to that which Germany was experiencing; indeed, the rise in prices was even greater than in the German case because the labor unions in these other countries had been following a far less restrained wage policy. Moreover, the falsification of international price relationships which developed *pari passu* with the arbitrary manipulation of rates of exchange and above all the world-wide practice of bilateralism meant that to a very great extent Country A would import not from the cheapest country but from

one which would agree to accept Country A's products in exchange. In such cases, international price comparisons played little or no role.

In addition, as the world's demand for goods continued to outpace the ability of producers to supply them, speediness of delivery assumed decisive competitive importance. The fact that the German economy had been cut off for so long from world trade and was obliged to start from scratch in the search for markets had certain advantages. German firms, having no prior commitments, could and did promise faster delivery than their competitors in other countries.

Whereas the Korean crisis necessitated a readjustment of production in the leading industrial nations in favor of the armaments industries, Germany was the object of still another stroke of good fortune in that, at the time, she was not permitted to produce weapons. Germany's ability to deliver consumption goods for civilian use and even investment goods for the armaments industries remained undiminished; even at high prices, German goods were snapped up by foreign customers. Also, the German economy had traditionally specialized precisely in those goods which were most urgently in demand in the economically advanced countries in these years of the world-wide investment boom.

As a result of these and other factors, German exports, beginning in 1955, advanced far beyond German imports. In the eyes of Germany's foreign partners, this export surplus was identified with the growing pile of gold and dollars in German banks; from the

German point of view, however, the export surplus signified an unforeseen and ill-timed export of capital, involuntary extensions of credit to the European Payments Union, expansion of the domestic money supply, coupled with a simultaneous "tightening" of domestic credit (by central bank action), and the growing menace of "imported inflation."⁷

To sum up: during the period when the German economy was unable to compete pricewise on world markets, prices were not a decisive factor in international competition. By the time that prices had regained their competitive importance, the German economy, as a result of the monetary developments referred to above, had acquired a price advantage which resulted in what amounted to a "sellout" of German goods on the world market.

In this way, German entrepreneurs' propensity to invest received continuous stimulus from the world market. There is no doubt that these international economic developments contributed decisively to the fact that there was no slackening in German investment activity even when German reconstruction in the narrow sense had been practically completed. Rather, investment continued at the same pace, furnishing thereby the basis for further rapid and

progressive growth of the German economy. When soft spots did occasionally appear, they were effectively countered by an adept economic policy. On the whole, cyclical policy in Germany had far less cause to be concerned about maintaining a high level of activity than it did to be concerned about keeping the boom within limits.

Full employment policy?

Did the Federal Republic of Germany pursue a full employment policy? At no time did a Keynes-situation exist; a full employment policy in the sense in which the word is normally understood ("easy money policy" among others) did not even come under consideration. However, the currency reform of 1948 had uncovered an enormous quantity of structural unemployment which up to that point had been concealed by the arbitrary and unreal price-wage structure of the occupation era. But this momentarily excessive labor potential soon proved to be the principal wealth of the West German economy. Exception being made for West Berlin and the border areas along the Iron Curtain, almost the whole of this huge labor supply was rapidly assimilated into the German economy. Full employment was achieved in 1955; subsequently, in 1956, there was even a degree of overemployment. In the years 1957 and 1958 the German economy hovered in the upper limits of full employment. Even after the labor unions had abandoned their erstwhile timidity and had started to obtain substantial wage increases, they avoided weakening the economy by prolonged strikes. Strikes, of course, did occur. But the loss of

⁷ The continuous sterilization of incoming gold and foreign exchange by the German central bank was designed to forestall an internal German inflation. This aim was achieved, but sterilization also had the effect of keeping the German price level lower than that of the other EPU countries, with the result that German exports continued to be attractive to these countries and the inflationary influx of gold and foreign exchange continued to inundate German banks. Wilhelm Roepke is the author of the term "the dilemma of imported inflation."—*Translator's Note.*

actual working days, and correspondingly of production, was held within very tolerable limits.

Most recently, however, the growth of the West German economy has slowed. That some dampening of the boom was necessary, has already been pointed out; the dampening process did not go so far, however, that the growth of the economy was halted. Thus, both productivity and national product increased in 1957. But an unusual fact distinguished this growth from that of the preceding period. The productivity per worker increased less than the productivity per hour of work; the increase in the national product was considerably less than the increase in productivity per hour and exceeded the productivity increase per worker only slightly.

The explanation is simple: there was no substantial increase in the number of workers and the hours of work were sharply reduced (a majority of the work force succeeded in obtaining a 45 hour work week). Thus, the total number of hours of work for the first time did not increase; on the contrary, it declined. The labor unions are at present placing greater emphasis on shorter hours than on an enlargement of the national product and an increase in the standard of living in terms of a more plentiful supply of consumption goods. Nonetheless, the unions have no intention of renouncing further growth of the national product and still less of permitting a contraction of the same. On the contrary, the shortening of the work week is to be so accomplished that increases in productivity will not be completely absorbed

in this way but will leave something extra so as to permit an increase in total per capita income.

Defense cost escaped?

Abroad, great weight is attached to the fact that the Federal Republic did not have to maintain an armed forces establishment and that, consequently, she was free to conserve her labor and raw materials for the production of civilian rather than military goods. Germans reply by citing the high occupation costs with which the West German economy was burdened at a time when it needed incentives rather than burdens. The truth is that a perfectly legitimate comparison could be made between the height of occupation costs and the amount which West Germany would have had to expend for the maintenance of its own military forces. Just as certain is the fact that the task of building the West German defense establishment from the ground up will involve substantially higher costs.

In the meantime, of course, the productive capacity of the German economy has multiplied many times. In connection with Germany's reparations payments (Israel, etc.) and the resumption of capital exports (London Debt Conference, etc.), there has been a substantial increase in the demands on the German economy. The recent (1957) marked increase in social services in West Germany does not represent an economic "burden." But these services, too, had to be accounted for fiscally and contributed to the worrisome proportions of the present Federal budget.

Finance and fiscal policy

The budgetary and fiscal policies of the Federal Republic in the years 1948-57 exercised a decisive influence on the German revival and the direction this revival took. The Inter-allied Control Council had set German profit and capital gains taxes at senselessly high levels. Even after the demise of the Control Council at the beginning of 1948 and the cessation of "four-power agreements," it proved impossible at first to obtain the approval of the Western Allies for the outright reduction in tax rates which economic reason demanded. They tolerated, nonetheless, recourse to a device by which firms were permitted to decrease substantially their taxable income by means of accelerated write-offs of investments for tax purposes. In this way, not only was the tax base decreased, but the highest income categories to which the progressive tax rates were applicable were automatically lopped off.

These tax procedures did not yield the same advantages in every case. It depended on who was doing the investing. The greater the size of the investment, the greater was the tax advantage. Herein lay not only a powerful stimulus to investment but simultaneously a considerable easement in its financing. The results exceeded expectations by far. From the standpoint of social justice and of a fair distribution of the tax burden, serious objections could be raised to these procedures. On the other hand, the resulting increase in productive capacity and in employment opportunities represented such a positive gain for the

population and, in particular, for the expellees and refugees that these objections, though not rendered invalid, were largely compensated for. Beginning with the assumption by the Federal Republic of responsibility for its own tax system, tax rates have declined and the use of accelerated investment depreciation for tax advantages has been correspondingly restricted. There is still room for reform in respect to taxes, however.

"Investment help" injected

A very noteworthy program known as "investment help" has been in operation in recent years. In 1948, when the prices of finished goods were being freed and allowed to find their own level in the market, the prices of raw materials and basic utilities (gas, electricity, etc.) were still being controlled. The utilities and raw materials industries were consequently unable to resort to the techniques of internal financing via prices and their rate of growth, thanks to a lack of investment funds, lagged considerably behind that of the finished goods industries. The result was a shortage of power for German industry. To rectify this, the finished goods industries were required by law to deposit funds with the government which, in turn, were made available in the form of equity capital or loans to firms in the raw material and utilities sector.

This plus supplementary tax advantages succeeded in closing the power gap in the case of gas and electricity (in respect to coal, which requires investment of the long-term type, the problems of inadequate supply could

not at first be solved so that additional stocks of this commodity had to be imported from the U.S.A.; in the year 1958 the situation was suddenly reversed as it was also in England and in the other countries of the Coal and Steel Community). This type of investment help which certainly cannot be said to "conform to the market" is at the very least an interesting example of how fiscal policy can be combined with a legally sanctioned communal action to solve certain types of economic problems.

If one should ask what the over-all contribution of fiscal policy to the German revival has been, the answer would include its strict adherence to the orthodox principles of the balanced budget which, in turn, contributed decisively to making the D mark a hard currency. As Germany's awkward export surpluses began to generate an ever-larger and more menacing increase in the quantity of money, fiscal policy was in the fortunate position of being able to counteract this development by means of the large budgetary surpluses which were effectively "demonetized" by being deposited in the central bank. The fact that this was more a happenstance than a consciously planned and desired fiscal policy subtracts nothing from its success. However, since the spring of 1957 (an election year!) the budget situation has been reversed. The budgetary deficits which have been accumulating since then come at a very inappropriate time in terms of both cyclical and monetary policy desiderata. More serious, however, is the danger of transition from a genuine to a merely formal balancing of the budget precisely at a time

when the exact opposite is required. If the threatened conflict between fiscal and monetary policy is to be avoided, a greater degree of statesmanship will be required than has been shown up to the present.

Can social policy also claim a share of credit for the German revival? It has been observed already that social services need not constitute a burden on the economy. Social services are, in effect, transfers of income and as such they subtract nothing from the economy. The experiences of the period which followed the collapse of 1945 show clearly that in bad times not only is a greater number of persons dependent on social relief than in good times but that social aid is both physically and psychologically an indispensable condition of revival. As long as the national product and national income are small, social services (which themselves result from transfers of income) must be modest in amount, increasing as the national product and national income increase. Seen from this point of view, the policies followed by the government of the Federal Republic are unobjectionable.

If, however, the concept "social policy" is taken in the broad sense, if we include in it, in particular, the measures needed for assimilation of expellees and refugees as well as social housing programs, then social policy can claim a most important share of the credit for the German revival. To this policy we owe thanks for the fact that the social lacks (*e.g.*, the unsocial distribution of property ownership) of the still very imperfect, still largely anticipatory "social" market economy,

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have been so patiently borne and have not given rise to unbearable tensions!

The social reform which was expected after 1945 and with which free Germany was to provide the luminous contrast to the social upheaval in the Eastern zone did not materialize. This absence has nothing to do with the forces of revival which have been here discussed. Rather, the failure to achieve social reform in West Germany must be regarded as the unhappy result of the breathtaking speed of the economic recovery. Whereas in East Germany the *Weltanschauung* of dialectical materialism has been theoretically worked out and applied, people in West Germany have succumbed all too frequently to the temptations of a practical materialism. As the memory of privation receded, the spirit of sacrifice disappeared; and while a great social revolution can be accomplished in the absence of this spirit, a voluntary and equitable social reform cannot take place without it.

To the social sphere belongs also the relationship between the so-called social partners, the employers and the labor unions. The attitudes of restraint and reasonableness exhibited by the labor unions during the first difficult years of reconstruction have already been favorably alluded to in another connection. In general, it can be said that in these years of common national need the conflicts between employers and workers, which are always implicitly present, took second place to the great common task of reconstruction. In the negotiations that had to be carried on with the Occupation Powers in order to establish a new plant, to preserve existing plant facilities or fore-

stall further dismantlement, and to obtain fair allocation of necessary raw materials (then strictly controlled by the Occupation Powers), it was frequently the unions which bore the brunt of the struggle. In virtue of their being a "democratic organization," the unions encountered a readiness to listen on the part of the occupation authorities at a time when the latter viewed German entrepreneurs with the deepest distrust.

Such splendid cooperation between labor and management could not last forever. In the difficult early years, such cooperation was of exceptional importance. Later, both parties fell into the error of wanting to claim sole responsibility for the success of the economic revival; in reality, of course, the contributions of both management and labor were equally indispensable. Pope Pius XII supplied a memorable corrective to such one-sidedness in his allocution to President Hues on the occasion of the latter's visit to the Vatican:

We have been told that Germany's achievement in overcoming economic catastrophe so speedily is due in the first instance to the remarkable energy and initiative of her businessmen. To do this we may surely add: in no less degree, is Germany's revival due to the insights, the robust determination, and the ability of her workers.

These words describe, in fact, what happened: the harmoniously united efforts of both management and labor are what created West Germany's economic revival. As long as harmony and mutual understanding characterize the relationships of the social partners, they will continue to provide the foundations for further economic growth.

Democracy at Bonn

FERDINAND A. HERMENS

MUCH HAS BEEN SAID, and properly so, about Germany's "economic miracle." It has a twin, however, one which, while nourished by it, provided it with essential support. This twin is a *political* miracle. A goodly measure of political stability was essential to the success of the "social market policy." The latter is of a type that can succeed only in the long run; certain risks and dangers (exaggerated by an imagination fed upon the ideologies of our day) are inevitable, and it takes months, if not years, before such fears can evaporate and solid symptoms of success make their appearance. Only a government stable enough to wait that long (and last that long) can act in this fashion. The Bonn Republic has, so far, been as stable as its predecessor, the Weimar Republic, was unstable.

Actually, the political framework of the Bonn Republic was somewhat fragile at first; it has grown in strength ever since, although as we shall see there is yet no guarantee that it will last indefinitely unless necessary reforms are adopted.

The Bonn Republic appeared shaky indeed when Konrad Adenauer formed his first cabinet in 1949. The Christian Democratic Union, with 139 deputies

out of 402, led its Social Democratic rivals (131) only by a hair. While this lead was sufficient to give Dr. Adenauer a claim to leadership over his rival, Dr. Kurt Schumacher, the Christian Democrats needed allies. They turned first to the German party whose 17 deputies included some truly moderate conservatives but also certain ultra-nationalists. An additional appeal had to be made to the 40 Free Democrats whose party to this day constitutes a mixture of genuine Liberals (of whom President Theodor Heuss is typical), and nationalists, some of whom have difficulty living down a Nazi past.

On paper, this coalition controlled 208 out of 402 seats. According to the "Fundamental Law"¹ the Federal President was to nominate the Federal Chancellor, who then had to be confirmed by the Federal Diet, the *Bundestag*, with an absolute majority of its members. Adenauer received 202 votes—the exact number required. As it later developed, seven of the coalition deputies had failed to vote for him—enough to create a tie which would have meant defeat. A rescuer had appeared in the form of a member of

¹ This name was chosen in order to indicate that there was to be no final constitution until one could be adopted by a freely united Germany. The last article of the *Grundgesetz* provides that it loses its force on the day that such a constitution is adopted.

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the Bavarian party who had disobeyed orders by voting for him.

Once Adenauer was in the saddle, he proved able to ride the horse of German politics, no matter how balky that animal acted on occasion. During the four-year term of the first *Bundestag* votes were frequently close, and stormy encounters between Adenauer and Schumacher seemed to bode ill for the future of German politics. Yet, the Chancellor knew how to hold on and how to turn events to his favor. When the time came for the second Federal elections in 1953, the Christian Democrats performed the feat, unheard of in German politics until that time, of winning an absolute majority (of one) in the Diet: They obtained 244 out of 487 seats with 45.1 per cent of the votes. Four years later they outdid even this performance, winning 270 out of 497 seats with 50.18 per cent of the popular vote.

Thus the task of governing became easier. In 1953 the Chancellor, in fact, managed to rally two-thirds of the *Bundestag's* members to his government; this was vital, as the Basic Law had to be amended in order to remove certain obstacles which were deemed to stand in the way of European reunification and of rearmament. Eventually Adenauer lost the support of most of the Free Democrats and of the members of the Refugee party; his 1957 cabinet consisted only of Christian Democrats and the German party, difficult as it proved to be to accommodate all the different elements within the leading party itself.

The strength displayed by the Christian Democrats under Dr. Adenauer's leadership provided most of the basis

for Germany's political stability. The very existence of the party tended to overcome what had long appeared as one of the irradicable facts of German political history: the division between Protestants and Catholics. During the Weimar period most of the active Protestants had supported one of the parties of the Right, in particular the Nationalists who were to play a crucial part in bringing Hitler to power. Most practicing Catholics voted for the Center party which had very few non-Catholic members. Relations between the Nationalists and the Center party were, for the most part, as bad as they could be.

It took the bitter years of Nazi persecution to drive home the fact that, if Protestants and Catholics were divided on religious issues, they yet had certain principles in common. The time was to come when after the closing of a Catholic church the Lutheran pastor would offer his Protestant edifice for Catholic services, and when a priest would take the pulpit for a Lutheran minister who had been arrested. In concentration camps, priests and ministers suffered and died, side by side.

When the war was over, Christians of both denominations realized that they had one great and overriding common concern: to see to it that a new political structure was erected which would bar the road to any new totalitarian adventure. Informal meetings took place immediately. These were greatly hampered by bad communications; nor were they always encouraged by the occupation authorities distrustful of any German political activity. On a federal level, Konrad Adenauer took the lead. He was one of the out-

standing men of the Weimar Republic whose reputation had not been tarnished by its collapse. At first he returned to his post as Lord Mayor of Cologne, only to be dismissed by the British who claimed that he was too old. He utilized his leisure to bring Protestant and Catholic leaders together, being one of the few people able to do so. The Catholics respected him as a man of principle, deeply loyal to Western civilization, and the Protestants found him sufficiently conservative to appreciate the positions which some of them had taken in the past. His human qualities helped a good deal. To this day his sense of humor disarms about everyone, not least because it is expressed in that Cologne dialect which simply does not lend itself to acrimony. Besides, Adenauer knows how to be firm when firmness is necessary and yet how to make concessions when they have to be made. One of the shrewdest opinions expressed about him is that his greatness consists precisely in his willingness to draw back from any course which might lead to failure.

CDU source of stability

The stability of the Bonn Republic is due, then, to a political party which, under a leader of extraordinary ability, has managed to unite groups which no one considered capable of being united. In addition to Protestants and Catholics, the CDU contains a considerable number of Liberals; moreover, in the elections of 1953 and 1957 a great many voters of no particular preference rallied to its standard. There is enough heterogeneity among these elements (and *within* some of them), however, to provide the material for a first-class ex-

plosion. In fact, a wit has said of the present parliamentary group of the CDU that its philosopher is not Thomas Aquinas but Thomas Hobbes—and this because there is said to exist within the party a *bellum omnium contra omnes*, a "war of all against all."

Still, the party has confounded its critics by overcoming more than one internal crisis. There is even reason to assume that its success has benefited its leading opponent, the Social Democratic party. Voters who are not satisfied with the Adenauer government are little attracted to the minor parties. They know that if there is to be an alternative government it will be based upon the Social Democrats. As the principal opposition party, the Social Democrats, therefore, have become the beneficiaries of the protest vote which exists in Germany as it exists everywhere else. During the Weimar period Communists and Nazis stood ready to exploit the protest vote; that it now goes mainly to the Social Democrats means progress indeed.

Matters did not always look so promising nor need they remain so. Between 1946 and 1951 there was, in fact, a period of political disintegration. In the very first elections held after the war the two leading parties had polled between themselves 90 per cent of the votes cast. Their combined percentage declined to 70.2 per cent in the *Bundestag* elections of 1949. It fell even more in certain elections to the diets of various *Laender*, in particular those of Lower Saxony and Bremen. A neo-Nazi party, the Socialist Reich party, had arisen, the communists were still fairly active, and the Refugee party

took an appreciable share of the votes, not to mention the strengthening of the nationalist wing of the German party and some smaller parties. If in these elections Socialist strength faltered, that of the Christian Democrats all but collapsed, their share of the vote falling to less than half of what it had been in 1949.

The combined leadership of Dr. Adenauer and Dr. Erhard had much to do with completely reversing this trend. In the elections of 1953 the "social market policy" was still vigorously challenged by the Socialists but the voters gave it so resounding an endorsement that the Socialists had to modify their attitude; they have since endeavored to evolve an economic policy which places more reliance upon the laws of the market than Socialist theoreticians had been willing to admit in the past. Adenauer's work in the field of foreign affairs was also a significant factor in this election; his steadfast adherence to cooperation with the West won the confidence of the people. It was, indeed, Adenauer's political leadership that had held the Christian Democrats in the *Bundestag* and the entire coalition together; of all the factors involved in Germany's political stabilization the Chancellor's influence was perhaps the most vital.

The election law did, however, make a noteworthy contribution to political consolidation. During the Weimar Republic a radical system of proportional representation (P.R.) had obtained. A party might secure a seat in one of the large provincial constituencies with as little as three per cent of the total popular vote; afterwards it could, to the extent that such regional seats had been

won, add up even the tiniest portions of the total vote from all over the country and acquire an additional seat for each 60,000 votes. When the first elections were held after the war it would have been logical to adopt the plurality system of voting which has been the basis of Anglo Saxon democracy all along. Instead, P.R. won the day again but this time with modifications. A certain percentage of the deputies, ranging from one-half to three-fourths, were elected under the plurality system in single-member constituencies. There was then a *Land* list which served the purpose of establishing an over-all proportionality between the votes cast for a party and the seats obtained by it, making the over-all effect one of P.R. Still, it was a help not to have all deputies elected on a large list; the personal qualifications of a candidate began to count again. Besides, the road was barred to typical "splinter parties." Any party might win seats in the single-member constituencies but a small party could rarely do so. Seats on the *Land* list (at times called the "reserve list") were obtainable only if a party had either obtained a seat in direct elections (under the current Federal law it must obtain three such seats) or if it has secured five per cent of the total votes cast. Such as conditions are in Germany at the moment, only two minor parties can meet these requirements on the federal level: the German Party (which owes this fact to the support given to it by the Christian Democrats in certain constituencies) and the Free Democrats, who polled 7.7 per cent of the votes in 1957. It must be borne in mind, of course, that the Consti-

tutional Court has outlawed both the neo-Nazis and the Communists.

The question is whether this degree of political concentration will last. Certainly, on the federal level the Bonn Republic has known more stability than any other democratic country in Europe except England. In some of the *Laender*, however, there have been coalitions with all of the miseries attending this sort of government. It did not matter if the Christian Democrats or the Social Democrats were the strongest parties in the respective parliaments; as long as neither commanded an over-all majority they had to bargain with minor groups. Even when such bargaining comes to a speedy conclusion, it does not make democracy popular with the people; the Germans call it "cow bargaining." A regular two-party system with one group or the other obtaining an over-all majority would exclude such a possibility, since the decision would lie with the people themselves.

Germany is one country which could, at the moment, have a two-party system for the asking. The simple introduction of the plurality system of voting would be enough. The Christian Democrats favor it. The minor parties oppose it, as do the Social Democrats, although not unanimously so. The Christian Democrats have a majority in the *Bundestag* and might pass a new election law. In that case the Free Democrats and the Refugee party might dissolve some of their coalitions with the Christian Democrats in the *Laender* and thus deprive Dr. Adenauer of his majority in the *Bundesrat*, the Federal Council, which consists of

delegates instructed by the *Land* government and has an important voice in certain decisions.

Perils of PR

It is doubtful, therefore, whether the plurality system will be adopted. This implies the possibility that the concentration of political strength which Germany has witnessed in recent years will be reversed. Two of the factors on which it has rested are (or, in the second case, may be) temporary: the Adenauer leadership and economic prosperity. Konrad Adenauer has confounded his enemies by displaying, in spite of his 83 years, a physical and mental vigor that many a younger man envies but he will not be on the scene forever.* Some feel that his failure to have Dr. Erhard elected as the successor to Federal President Dr. Heuss presages a lasting loss of prestige on his part. That may or may not be true; it is obvious, however, that Adenauer's shoulders cannot bear indefinitely most of the burden of maintaining the unity of the Christian Democratic party, and with it an incentive for political concentration on the two major parties. Eventually, the return to a multiple-party system of a type which inevitably arises under P.R. and within which there are no direct ties between the parties is a real possibility.

Such a trend would be enhanced by economic difficulties. So far political radicalism has found little to feed on. There do remain islands of misery, too little known abroad, in particular among the expellees and refugees. Un-

* This article was written before Adenauer announced his intention to seek the Federal Presidency.—Ed.

til now a ray of hope has penetrated these groups; the younger and more active people, at least, could hope to be absorbed quickly by an expanding economy. Now the expansion has slowed down and the question is whether it will regain its vigor. If it does not, there will be ample excuse for political agitation and the possibility of a measure of disintegration.

It will be answered that no such result is possible because under the Basic Law the Diet can reverse a chancellor only if an absolute majority of its members votes, at the same time, for a new chancellor. As I have tried to point out on a different occasion,² this provision may be useful in marginal cases; it is unlikely to mean much when the chips are down. Under a parliamentary system no government will last long unless it can command a positive working majority. Contrariwise, the history of all such governments, be it those of the Weimar Republic or those of the Fourth Republic in France, demonstrates that as soon as more deputies vote against the government than vote for it, even if the opposition does not constitute an absolute majority, the cabinet will resign. In the German case there remains the possibility of dissolving the *Bundestag* and of resorting to emergency powers for a limited period. While these provisions may prove serviceable in marginal cases, they will not alter the basic power relationship. Dr. Adenauer has been as strong as he is because he could marshal a positive majority in favor of his measures; no one will be equally strong unless he can do the same.

Danger not immediate

These possibilities of trouble are, however, of a long run nature. The gains made during the Adenauer period are substantial and some of them will last. A process of erosion can, indeed, set in overnight but it would take several years to bring about a definite deterioration in the political situation. The paradox is that, as soon as the need for measures against disintegration should become clear, the possibility of taking them would be greatly reduced: as soon as the minor parties become an essential ingredient in any coalition they can, and will, block any move aimed at political concentration. This is the reason why De Valera in Ireland is now trying to abolish P. R. He is doing so, not in spite of, but *because* of the fact that at the moment the political situation is stable, since his party has an over-all parliamentary majority. He knows that, as soon as political splintering sets in again, its beneficiaries will block any attempt to check it.

In Germany, Dr. Adenauer has made several moves in the direction now taken by De Valera. Had his advice been followed, the plurality system of voting would, in fact, have been made a part of the Basic Law in 1949. If he should yet be able to take measures along these lines (which he may or may not be able to do) it would mean that German political stability would become truly institutional, rather than personal. A stable political framework would be created within which parties, programs and persons could succeed one another without jeopardizing the solidity of the whole.

² *The Representative Republic*. University of Notre Dame Press, 1958, pp. 354 ff.

Ludwig Erhard's Achievement

PATRICK M. BOARMAN

Ludwig Erhard is the present Vice Chancellor and Minister for Economic Affairs of the Federal Republic of Germany and the almost certain successor to Konrad Adenauer in the post of Chancellor. Ten years ago, he was a relatively unknown economics professor to whom the infant West German state had assigned, more or less by accident, the unenviable job of distilling order out of the economic chaos which the years of Nazi misrule, war, and Allied occupation had left in their wake. How lucky this accident was for West Germany and for the whole free world is convincingly demonstrated in a recent book by Erhard setting forth the theory and practice of "die soziale Marktwirtschaft"—the social market economy.¹ It is a chronicle of

the tribulations and the ultimate triumph of Erhard in his single-handed struggle to rehabilitate in German and in European eyes the discredited principles of competition and free enterprise.

Erhard's accomplishment as economist turned statesman is unique. It is not so much that he is an innovator in economic theory or policy, for he has borrowed heavily in this area from savants such as Wilhelm Roepke² and Walter Eucken.³ The originality of Erhard lies rather in his unswerving loyalty to a grandiose economic conception and in his ability in the face of repeated setbacks and bitter opposition from left and right to translate the theory into successful reality. It has been suggested that Erhard's clos-

¹ Ludwig Erhard, *Prosperity through Competition*, Praeger, New York, 1958.

Director of NCWC's Office of Cultural Affairs at Bonn, 1951-55, the author currently teaches Economics at the University of Wisconsin in Milwaukee. He edited a symposium, *Der Christ und die soziale Marktwirtschaft*, with a foreword by Ludwig Erhard, which was published by Kohlhammer Verlag of Stuttgart in 1955.

² Wilhelm Roepke, *Civitas Humana*, Hodge, London, 1948; *The Social Crisis of Our Time*, University of Chicago Press, Chicago, 1950; *Jenseits von Angebot und Nachfrage*, Eugen Rentsch Verlag, Zurich, 1958.

³ Walter Eucken, *The Foundations of Economics*, University of Chicago Press, 1951; *Nationaloekonomie Wozu?*, Helmut Kuepper Verlag, Bad Godesberg, 1947.

est historical prototype is Robert Peel,⁴ the great British Prime Minister who initiated the era of Free Trade by bringing about the repeal of the Corn Laws in 1846.

The comparison is not far-fetched, even though it is still too early to gauge the full impact of Erhard's work on Germany and the world. In some respects, however, the two cases are quite different and the Erhardian achievement, even at this stage, seems the greater in consequence. Peel was not an economist but a talented and popular statesman who yielded on the subject of tariffs to the incontrovertible logic of Ricardo and to the eloquence of Richard Cobden. He rode the wave of the future in demolishing the remnants of protectionism and mercantilism, for there was only token opposition to the Corn Laws at the time of their repeal. And there were the extraneous events such as the Irish potato famine and the failure of the British harvests which made his great step easy.

Erhard, on the other hand, had to push his theory of economic freedom in the face of great odds. He lacked the personal appeal and *savoir-faire* of the professional politician; the extraneous events, moreover, were mostly against him. The opposition to his ideas was deeply rooted and widespread.

The Allies were fearful of his daring proposals to abolish all economic controls when supplies even of basic foodstuffs were critically short; the Socialists saw him as the leading threat to the planned economy which they hoped to impose on West Germany; the cartellists and monopolists quickly realized that Erhard was their deadly enemy and proceeded to sabotage his work where they could; and some prominent Catholic social philosophers were appalled at what they believed was an attempt to resurrect a discredited 19th century capitalistic order. How Erhard overcame the incredulity and skepticism of his associates and the massed opposition of his enemies to make possible the German miracle is a gripping chapter in economic history.

The German miracle, as explained by Erhard, turns out not to have been a miracle at all⁵ but the quite predictable outcome of replacing the rotted hulk of planned economy inherited from the Nazis and retained by the occupying powers by a "social market economy." The illusion of "miracle" was due to the magnitude and speed of the change wrought by an economic system which restored the free play of supply and demand and threw off the paralyzing incubus of price control. As Roepke put it:

Even the bitterest enemy of the market economy must concede that as measured against the conditions which it had to overcome, it has furnished positive experimental proof of its superiority, as convincing a proof, in fact, as economic history has ever known.⁶

⁴ Cf. Albert Hunold, "Sir Robert Peel and Ludwig Erhard—Bahnbrecher einer neuen liberalen Ära" in *Wirtschaftsfragen der Freien Welt*, eds. von Beckerath, Meyer, Mueller-Armack, Fritz Knapp Verlag, Frankfurt am Main, 1957, pp. 57-72. *Wirtschaftsfragen der Freien Welt* is a symposium prepared as a *Festschrift* in honor of Erhard's 60th birthday. It contains essays by more than 50 economists from various countries and is a treasure-trove of the ideas which nourished the "social market economy."

⁵ Cf. *Wirtschaft ohne Wunder*, ed. Albert Hunold, Eugen Rentsch Verlag, Zurich, 1953, pp. 128-157.

⁶ Wilhelm Roepke, *1st die deutsche Wirtschaftspolitik richtig?* Kohlhammer Verlag, Stuttgart, 1959, p. 18.

Statistics and the historical record support Erhard in his contention that it was not currency reform, nor American aid, nor the Korean War, nor the stimulus of pent-up German demand, nor Germany's initial freedom from the burden of armaments, nor even German "industriousness" which account for the astonishing pace of economic revival in the Federal Republic, but the establishment of a functioning economic system. It was only within the context of such a system that all these factors could have had any lasting economic effects. A series of relief measures and happy accidents do not add up to an economic miracle of the duration of the one experienced by West Germany.

Ordo-liberalism

The economic philosophy of Eucken, Roepke, and Erhard has frequently been described as neo-liberalism (to distinguish it from the paleo-liberalism of the 19th century) and sometimes also as *Ordo-liberalism*.⁷ Its principal concern is with "systems analysis," with the total politico-economic structures or *Ordnungen* in terms of which the central economic problem of a developed society is solved. That problem is how to ensure the continuous coordination of an incalculably large number of private economic activities in such a way as to maximize the return to society from its available economic means.

Eucken envisaged three possible al-

ternative "orders" or politico-economic systems which would permit, in varying degree, the solution of this problem. These are:

1. the centrally-administered economy* (rejected because of its gross inefficiency in ascertaining and responding to consumer demand and because of its incompatibility with human freedom);

2. the market economy in a context of *laisser-faire* (rejected because it eventuates in oligopoly and other power formations which partially or totally paralyze the regulative forces of the market and to that extent paves the way for the advent of the centrally-administered economy);

3. the competitive market economy in which the state establishes and enforces the degree of competition needed to permit optimal functioning of the market.

It is this third alternative which is the core of the neo-liberal system.

Thus, the "newness" of neo-liberalism consists to a large extent in a new appreciation of the positive role of the state in creating the legislative, juridical and monetary framework necessary to a viable market economy. At the risk of oversimplification, the differences between the three politico-economic conceptions might be summed up as follows: In a market economy of the *laisser-faire* type the state determines neither the economic system nor the day-to-day processes which take place within that system. In an economic system which is pre-

⁷ *Ordo* is the title of an important annual compendium of neo-liberal thought founded by Walter Eucken. Ten volumes have appeared since 1948. (ORDO: *Jahrbuch fuer die Ordnung von Wirtschaft und Gesellschaft*, eds., Franz Boehm, F. A. Lutz, Fritz Meyer. Helmut Kuepper vormalis Georg Bondi Verlag, Duesseldorf.

⁸ Walter Eucken, "On the Theory of the Centrally Administered Economy: An Analysis of the German Experiment" in *Economica* (May and August 1948).

dominantly of the centrally administered type, both the system itself and its day-to-day processes are directly determined by the state. In the competitive market economy, advocated by neo-liberals, the state takes whatever action is needed to support and preserve the market system but does not itself interfere with the day-to-day processes of the system.

Neo-liberals thus reject not only the planned economy but the "mixed economy," if this last is interpreted to mean the direct intervention of the government into market processes as in the case of agricultural price supports, rent controls, etc. Such a "mixture," they contend, produces only chaos by frustrating the functioning both of the government's plan and of the market. (In this sense a fully planned economy is more "efficient" than a half-planned one). At the same time, the neo-liberals assign to the state a degree of responsibility for the over-all well-being of the economic system which would have scandalized the Manchesterians. Moreover, in the neo-liberal version of the "humane economy," the state is only one of a host of institutions—political, monetary, cultural, religious—which surround and support the market, softening the outcome of the competitive struggle and correcting, where necessary, gross distributive injustices. The neo-liberal is not an ideologue on the subject of the market, though a superficial reading of the literature might convey this impression. For he sees the market in the very factual context

of being a means to an end. If he has an axe to grind, it is in behalf of human freedom.

What, then, were the specific ingredients of the formula which Erhard used to translate the theoretical concept of the social market economy into reality?

1. *The abolition of price controls and other remnants of the planned economy.* Price controls falsify supply-demand relationships and, in the absence of a totalitarian government with the will and means to enforce them, inevitably result in a worsening of the distributive injustices the controls were designed to overcome. There is little point in talking about the justice of distribution until something has been produced which can be distributed, but production requires incentives. In the market economy, incentives to production are provided by the free formation of prices in response to the forces of supply and demand. Quarrels about distribution are vain and dangerous if they interfere with the mechanism of production. "It is considerably easier to allow everyone a larger slice out of a bigger cake than to gain anything by discussing the division of a smaller cake."¹⁰ The efficacy of this policy was reflected in the great outpouring of goods and services in Germany beginning with the general decontrol of prices in 1948. Industrial output which stood then at 80 (1950 = 100) rose to 192 by 1956, i.e., an increase of 112 per cent. By comparison, the index of U. S. industrial output advanced in

⁹ Cf. Patrick M. Boorman (ed.), *Der Christ und die Soziale Marktwirtschaft*, with a foreword by Ludwig Erhard. Kohlhammer Verlag, Stuttgart, 1955.

¹⁰ All quotations are from Ludwig Erhard, *op. cit.*, *passim*, unless otherwise qualified.

the same period from 87 to 128 or only 41 per cent.

2. *Competition.* Competition is the indispensable adjunct of a market economy. The absence of competition, like the presence of price control, perverts and frustrates the functioning of the market, resulting in economic stagnation, destruction of incentives, and exploitation of the weak by the powerful.

The social market economy does not recognize the freedom of the entrepreneur to exclude competition through cartel agreements . . . if the State must not decide who would be victorious in the market, neither should an industrial organization such as a cartel. It must be the consumer alone . . . Cartels are the enemies of the people.

Moreover, competition has important stabilizing effects on the economy.

Patterns of consumption change continuously and supply must be able to adjust to this peculiarity. That can only be achieved if every businessman seeks 'to be right' in the market, to retain the goodwill of the consumer, and to offer him consistently something better in order to survive in competition with his rivals.

[It was Erhard who was mainly responsible for Germany being the first country after the United States to enact comprehensive antitrust legislation. The passage of the "little Sherman Act" (in 1957) represents a genuine revolution in the relationships between German law and the economic system,¹¹ albeit a slightly tarnished one

in view of the numerous exceptions which the proverbially powerful German cartellists managed to have introduced into the legislation. What will be needed in future to keep the latter gentry within bounds—Erhard believes—is to create ever greater public awareness of the fact that the social market economy stands or falls with competition.]

3. *War on pressure groups and special interests.* The realization of the social market economy requires that it be understood by all the people as a total economic conception. The continuing demand by a variety of special interests for ad hoc intervention into market processes in their behalf results from a failure to see the social market economy whole. Those who sing the praises of free enterprise and yet demand that the state guarantee their profits or their wages are the gravediggers of free enterprise and of the general welfare.

Our economy policy serves the consumer; he alone is the yardstick and judge of all our economic activities. . . . Any fragmentation of the national economy into vested interests cannot be allowed. It would be quite wrong to assume that I am the representative of the interests of industry or trade. To be responsible for economic policy means to be responsible to the people as a whole.

4. *Currency stability.* Inflation is utterly immoral. It amounts in effect to a forcible and deceitful redistribution of the nation's real income in favor of the powerful, i.e. those able to keep their wages and/or prices one jump ahead of the cost-of-living index

¹¹For example, a decision of the German Supreme Court of February 4, 1897 legalized cartels. In *The Social Crisis of Our Time* (op. cit), pp. 144-145, Wilhelm Roepke notes that there has always been a certain reverence for monopolies in Germany, with a cartel holding an importance not very far below that of Court and

Church. "Monopolies were institutions of which to speak disrespectfully, or even to call by this gross name, was considered very unrefined and as plebeian as the public use of a toothpick."

increases. The robbery which is thereby perpetrated upon the weaker members of society adds a new and serious dimension to inflation as a problem in distributive justice and economic ethics. The idea that a "mild inflation" is an inevitable concomitant of economic growth must be rejected as a dangerous assumption, refuted by the record of the German economy. Not only did the German mark emerge as the most stable currency in the world between the years 1950-57 but Germany's rate of economic growth outstripped that of every other country in this same period.¹² "Currently stability is a basic human right which every citizen can demand from his government."

5. *Rejection of the Welfare State.* Concern for social policy is obviously an important ingredient in the social market economy and governmental outlays for social services have trebled since 1950. But "larger social services in the future can be expected only because the market economy results in an ever-increasing pie, not because wealth is being 'divided up'." It is in this sense that

the quest for security through the Welfare State (which places impossible burdens on the market economy) is an illusion. Just as a people cannot consume more than it has first produced, so the individual cannot gain more real security than the whole people has gained as a result of its efforts . . . legitimate

social security is not the same as social insurance for all—it is not achieved by passing individual responsibility to some group. At the start there must be responsibility for oneself and only where this is sufficient do the obligations of the state and the community begin.

Pursuit of the Welfare State is a dangerous enterprise which yields us social security at the cost of economic paralysis and the gradual loss of freedom.

6. *Rejection of laissez-faire capitalism.* The conception of 19th century economic liberalism in which the state was reduced to the role of night-watchman is wrong.

The modern State cannot afford to return to the role of night-watchman. It was precisely this wrongly understood freedom which buried freedom and a free order . . . The businessman is responsible for his own business; there he can rightly demand that his activities should remain free from all state intervention . . . I am at the head of those supporting the businessman in this demand. But the state alone must carry responsibility for economic policy. We know where it leads to if these two functions are confused . . . I do not advocate a return to the economic liberalism of the past and the irresponsible freebooting methods that prevailed then.

This Erhardian formula, applied to a war-devastated rump state whose already dense poverty-stricken population was swelled by the addition of 10 million homeless and propertyless refugees, has yielded results which are a dramatic proof of the "social" content of the social market economy. The facts (to cite but a few): between 1950 and 1957, German *real* wages rose 40 per cent, with almost no labor strife; per capita consumption rose from 77 in 1949 (1951 = 100) to 126 in 1955, as compared with an in-

¹²A major factor in the success of the anti-inflationary policy was the restraint exercised by labor in its wage demands. Moderate wages in turn helped German firms realize high profits and induced a high rate of investment. Simultaneously, the stable purchasing power of the mark revived the flow of personal savings needed for investment.

crease from 96 to 107 in the United States; and in the same period, upwards of 4 million housing units were erected. The latter record was achieved with the help of incentives associated with the decontrol of rents for most new private construction, and provides a dramatic contrast to the melancholy performance of the French housing industry, plagued with rent controls since World War I. Nevertheless, in both the housing and the capital markets, government operations (as distinguished from regulations) are still far too large to suit Erhard. His critics are fond of emphasizing the gap between the social market economy as ideally conceived and the existing situation in which the government continues to function as saver, investor, and producer in areas which theoretically belong to the private sector. The criticism is beside the point for no one is more acutely conscious of the gap and more dedicated to the elimination of the remaining pockets of "mixed economy" than the Minister of Economics.¹³ "The social market economy," he notes, "is imperfect as are all things human . . . it is precisely on this account that our common efforts should be directed to making it as perfect as can be."¹⁴

The factual record of the social market economy is impressive enough. What will rank as its most signal tri-

umph, however, is that all this progress has taken place within the context of continuous full employment and a relatively stable price level. For the twelve years of its existence, the German market economy has been free of violent cyclical change, a record which invites comparison with the three sharp recessions experienced by the United States in the same period. As of now, Erhard's policies appear to have broken the back of the business cycle—an astounding breakthrough, if vindicated by the future course of events.

International relevance

Many special circumstances entered into the German success story and this is all the more reason to stress the general theoretical implications of the social market economy, not alone for Germany, but for the other countries of the free world. The lasting achievement of Erhard was his abstraction of the powerful concept of the market from the institutional matrix of 19th century capitalism in which it had been well embedded and his demonstration that the market can yield a quite different result within a different institutional framework. It was not the market as such, but an inner contradiction in the prewar capitalistic order of Europe which led to its demise. The expectation in the early phases of capitalism that a completely free economy would assure the universal victory of competition was not fulfilled. Great as was the discovery of the regulatory principle of competition by the classical economists, it was associated in their minds with the fatal error that competition would be achieved and preserved by a policy

¹³Partly in response to prodding by Erhard the German Parliament recently moved to consider proposals to abolish rent ceilings still in effect on various specified classes of housing. In addition, the Government has launched a broad program of de-nationalization of government-owned enterprises, coupled with a campaign to dispose of a majority of the stock shares in such enterprises to the low and middle income groups.

¹⁴*Cf.* Patrick M. Boarman, *op. cit.*, p. 5.

of *laissez-faire*. In fact, however, freedom was used in the "free" economy to form trusts, cartels, monopolies, *i.e.*, to destroy freedom.

For Erhard, as for other German neo-liberals, "capitalism" represents a one-shot phenomenon, a combination of the market system with the ideological and institutional elements peculiar to the 19th and early 20th centuries. The deficiencies and degeneracies of this capitalism were historically determined, which is why the word "capitalism" is almost meaningless when applied to existing systems. In particular, the German social market economy represents a new phenomenon—the combination of market economy with the legal, moral, and monetary institutions developed specifically within the Federal Republic under the impact of an intellectual revolution in German political and economic thought.

Such a view of the market economy stresses its subordinate, instrumental character. It is left to society to determine what use will be made of this instrument and what ultimate goals it shall be made to serve. The neo-liberals thus avoid the fatal mistake made by both the Marxists and the Manchester liberals, *viz.*, their identification of the economic system with the total society. Where such an identification is made, there is no "free play" between the economic system and its institutional framework. The market is blamed for the inadequacies of its framework, resulting in the demand not for institutional reform but for the overthrow of the economic system (socialism). Or else society is fitted to the Procrustes' bed of "homo

economicus" and the "felicific calculus" (Manchesterism).

Market not society

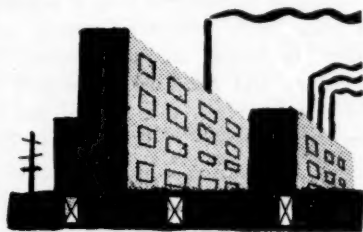
Doctrinaire Marxists as well as some Christian social thinkers have been repelled by the market and competition because of the alleged social atomism, impersonalism and egoism which they produce, as well as by their supposed corrosive influence on the organic structures of society. Such a view overlooks the point that society need not be atomistic simply because its economic machine is atomistic in character. It is only where the market is blown up to an equality with the total society that atomism, in the pejorative sense of the word, becomes a menace. This is why neo-liberals are concerned to de-mythologize the market economy, to exorcize the sundry demons with which it has taken up in the course of its historical existence, and to re-establish it in its subordinate (if still very important) place in the hierarchy of human values.

To his prescriptions for a "new liberalism," for a market economy which is both free and socially responsible, Erhard adds his provocative recommendation that the economic policymaker in a democratic society himself try to shape economic attitudes and thus the course of economic events:

If we are successful in changing the economic attitudes of the population by psychological means, then these psychological changes will themselves become an economic reality and so serve the same purpose as other measures of economic policy.

Much has been made of the many special circumstances which contributed to the postwar economic success of

West Germany, whereas there has been considerably less appreciation (at least by Anglo-American economists) of its implications for economic and social theory. Thus, the German proof that rapid economic growth, full employment, and long run stability can all be achieved without inflation is a vastly irritating fact to American inflationists such as Leon Keyserling, Sumner Slichter, and Alvin Hansen. Writing critically of Hansen's *The American Economy* (published in 1957), Professor Neil Jacoby notes that "[Hansen] summarily dismisses the remarkable revival of West Germany under 'low pressure' (noninflationary) policies—a fact not convenient to his thesis—as being due to extensive state enterprise, to a large governmental budget and to inflationary policies in other countries which created export markets for German goods. However, Hansen has the facts wrong. On the basis of the percentages of total product produced in the public and private sectors, next to the United States, West Germany has the most individualistic economy of the Western nations."¹⁵



Public educator

Erhard put this theory into practice with great vigor, stumping the country in behalf of his beliefs, plead-

ing with this group, cajoling that one to see economic reason and emitting the while a continuous stream of articles and manifestoes aimed at making everyone aware of the relationships between wages and productivity, inflation and real income, exports and imports, and freedom and competition. This Erhardian tactic, to which Germans have jokingly given the name *Seelen-massage* (massage of souls) is something which policy-makers in other countries might well add to their kit of tools. American economists mostly take a dim view about the possibilities of "suasion" as a technique of economic policy; maybe this is because it has never been tried *à la* Erhard. Erhard himself is convinced that "the psychological campaign which I have conducted will in future become indispensable as an instrument of economic policy." Perhaps the American Presidential Cabinet needs a "Secretary of Economics" who could effectively exploit the indubitable popular reservoir of reason and unselfishness.¹⁶

The use of suasion *à la* Erhard is a logical response (though by no means the only one!) to the gradual decline of competition in the modern economy. Adam Smith's great postulate that the pursuit of one's own interest in a competitive economy automatically advances the interests of others is still valid. But if competition is absent from important sectors of the market, dependence on market forces to achieve

¹⁵Neil H. Jacoby, review of *The American Economy in Science*, 127 (February 14, 1958) pp. 344-45.

¹⁶Recognizing this lack, Senator Estes Kefauver recently introduced a bill to create a Cabinet-level Department of Consumers, a principal function of which would be to "present the viewpoint of consumers of goods and services within the United States in the formulation of policies of the Government." *Cf. Wall Street Journal*, March 27, 1959 p. 3.

the general welfare is bound to be disappointed. Given the intractableness of the monopoly-oligopoly problem in the leading industrial countries, appeals to individuals and groups to exercise economic prudence and statesmanship in the pursuit of self-interest provide one alternative to price and wage controls and all that these imply. Erhard, at any rate, is convinced that "the psychological campaign which I have conducted will in future become indispensable as an instrument of economic policy."

International economic leadership

As another leaf in Erhard's garland of accomplishments must be mentioned his bold and effective leadership of the international economic community. It is Erhard who has been the tireless preacher of domestic monetary and fiscal discipline as the prerequisite of currency convertibility which in turn is the prerequisite of a return to a healthy multilateral trade. He has not waited for concessions from other nations before dismantling the remnants of Germany's own protectionist apparatus (with a few exceptions, private imports from the OEEC area have been liberalized almost 100 per cent and from the dollar area 92.8 per cent, while only 13.6 per cent of total imports are still subject to tariff).

The effects of Erhard's dose of free trade medicine (combined with a sta-

ble German price level) on Germany's international accounts have been startling. The trade balance, which was negative in 1950, turned into an export surplus which had piled up \$6 billion in gold and foreign exchange in Germany by the end of 1957, making her the chief creditor among the OEEC countries. This surplus has been a source of satisfaction but it is also cumbersome in that the constant inflow of specie to Germany is equivalent in effect to an "imported inflation"¹⁷ and places a heavy burden on the German authorities in their struggle to maintain the stability of the mark. Additionally, the loss of gold and foreign exchange to Germany by her principal trading partners tends to strip the latter of their international purchasing power and to yield all the other unpleasant international economic consequences which result when one nation gets all the "chips."

Nevertheless, the imbalance in the pattern of intra-European trade (of which the German surplus is merely the symptom) will continue—even in a Common Market—as long as the gaps in price levels between Germany and other countries are perpetuated by monetary and fiscal irresponsibility in the latter. Here, too, Erhard has led the way in showing how European economic integration must be achieved along functional economic lines rather than institutional and organizational ones exclusively. He has warned repeatedly against the dangers of a re-



¹⁷Cf. Wilhelm Roepke, "Das Dilemma der importierten Inflation" in the *Neue Zürcher Zeitung*, July 28, 1956 and "Nachmals: das Dilemma der importierten Inflation," *Ibid* October 7, 1956.

vival of autarkic economic "blocs," of "common market" schemes which, while freeing trade internally among the members of the club, strangle it externally. Out of this same belief in the necessity of an open international society, stems his conviction that an integrated European economy must be regarded as only the first step in an expanding international integration embracing ultimately the whole free world.

Moderation inculcated

To the oft-repeated charge that his social market economy has degenerated into a vulgar scramble for material goods, Erhard replies: "I do not hesitate to voice my great desire to see the German people turning towards more spiritual things as their standard of living rises. But I refuse to give orders to that effect." It is worth noting, nonetheless, that Erhard was busy warning his people of the dangers of glorifying production for its own sake long before John Kenneth Galbraith began to prick the conscience of the American public on this point in *The Affluent Society*. If Erhard was urging production in the first phase of the German revival, he has been preaching moderation in the second phase. The titles of some of his recent articles give evidence of his concern for the things that lie beyond supply and demand: "The Golden Mean," "The Danger of Suffocating in Our Prosperity," "Excess in the Pursuit of the Standard of Living," etc.

At the same time, Erhard finds it ironic that those social reformers who formerly criticized the market economy for its supposed failure to enrich

the working classes, now attack it with equal vehemence because it has made the working classes too rich, has made them prefer schnitzel and cars to the things of the spirit. To Erhard, this is arrogant Pharisaism.

I want to ask bluntly whether the radio, or the vacuum cleaner, or the refrigerator represent different things in the house of the worker than they do in the house of the rich man? Is it in one instance the expression of civilization and culture, and in the other evidence of a materialistic attitude? Such foggy thinking will not contribute to saving our people from material surfeit. . . . The size of income is neither a yardstick nor a frontier in a moral evaluation of consumption.



West Germany, he adds, is still far from being an affluent society: "too many of our people still live only in the shadow of prosperity."

Ideological revolution

In the final analysis, the greatness of Erhard's accomplishment must itself be measured against other than purely economic values. It is not only that he has proven to the faint-hearted and the pessimists the world over that it is possible to make economic truth prevail over political expediency and public apathy—to the ultimate benefit of all concerned. More importantly, his social market economy has provided a stable base for the growth of freedom and democracy in a country

which had no experience in and little enthusiasm for these values. Along with his economic revolution, Erhard has engineered a kind of bloodless ideological revolution which has had profound if not yet fully measurable effects on the German national psyche.

Adenauer as politician

Unusual testimony to Erhard's impact on the country was provided recently in the aftermath to a sequence of events which had caused the social market economy to drift dangerously off course into the stagnant waters of protectionism and a re-emergent cartellism. Increasing difficulty was experienced by Erhard in getting the necessary executive and legislative backing for his policies. Matters came to a climax when Adenauer, seemingly less concerned about a retreat from the principles of the social market economy than anxious to oppose a strong candidate to the popular Socialist Carlo Schmid in the contest for the Presidency of the Federal Republic, tried to push Erhard upstairs into that largely honorific office. The maneuver, if successful, would have effectively neutralized Erhard as a factor on the German scene. The reaction to it was immediate and nationwide. Stocks fell off by as much as ten points and thousands of small businessmen, farmers, labor union officials, politicians, and men-in-the-street roared their demands that the captain of the social market economy be kept at the helm.¹⁸ On the basis of this novel plebiscite, Erhard declined the offer of the Presidency—a response

which led Adenauer, in one of the most subtle and surprising moves of his career, to run for that office himself. At all events, the demonstration for Erhard (now the leading choice for the soon-to-be vacant Chancellorship) was unique in the annals of German politics and must be regarded as much more than a mere popularity victory for the conjurer or the "economic miracle." Its larger significance is that Erhard symbolizes and at the same time attracts to himself the constructive forces of the new Germany: enlightened liberalism, economic vitality, honesty and, above all, devotion to the general welfare.

The personality of Erhard is nonetheless in marked contrast to the public and international view of him as a "strong man" in the West German Government. At bottom, he is an intellectual, a lone wolf, who lacks the instinct for power and its adroit manipulation which democratic politics demands from its practitioners. Despite his jovial exterior and his ability to enthral large groups of people, Erhard is a very diffident man, more interested in the interplay of broad economic, social, and political forces than in the grubby power machinations of cloakroom politics. No one in the history of economic policy-making has so consistently and so unerringly diagnosed the economic problems of his country than Erhard. "He is a genius who knows with the certainty of a sleepwalker what has to be done, but he often lacks the political nerve to fight his recommendations through the ranks of the lawmakers and the lobbyists."¹⁹ But this very

¹⁸Significantly, the German Manufacturers' Association and other groups representative of big business interests thought that Erhard would make an excellent President of the Republic.

¹⁹Hans Herbert Goetz, "Erhard und die Macht" in the *Frankfurter Allgemeine Zeitung*, March 5, 1959, p. 9.

deficiency, regrettable though it may be from the point of view of practical politics, underlines the compelling popular appeal of Erhard's ideas. Erhard has not deliberately sought place or power; power has been thrust upon him by a people which evidently prefers the complete realization of the social market economy to any lesser goal.

Unified vision

This is not to claim that economics is the only force at work in shaping the *Weltanschauung* of the Federal Republic. Transformations in the philosophic bias of West German intellectuals away from historicism and romantic conservatism in the Hegelian tradition and towards a newly discovered political liberalism are intimately related to changes in the German economic system. It is no less true, however, that the specific economic philosophy embodied in the social market economy has made a decisive contribution to the success of Germany's second experiment in republicanism. All of which may be summed up by saying that the interaction of the political with the economic system yields a unity: in the Eucken terminology, a politico-economic "Ordnung." Alexander Ruestow of the University of Heidelberg, Erhard's colleague and friend, has pointed out how different the course of German history after 1918 might have been had an Erhard been available to the founders of the Weimar Republic.²⁰ The trouble with the Weimar experiment was not just the general lack of sympathy for democracy (the fateful German view of the state as a biological entity being

²⁰Cf. Alexander Ruestow, "Die geschichtliche Bedeutung der sozialen Marktwirtschaft" in *Wirtschaftsfragen der Freien Welt* (supra n. 4), pp. 73. ff.

still all-pervasive). Even with greater popular support than it actually enjoyed, the democratic order was bound to collapse, given the impossible economic mélange of socialism, cartellism, and old-style capitalism on which it rested.



The success of Erhard's experiment with the German voters has disconcerted but unfortunately not converted the hard core of his opponents. Partly from political expediency and partly as the result of intellectual confusion some Socialists are occasionally taken with fits of enthusiasm for "competition" and "market economy." Their attacks on the Minister of Economics then take the form of charging him with not pursuing market economy methods vigorously enough! Still others of his critics, from Marxists to medievalists, are unrelenting in their opposition. Their vested intellectual interests in other types of economic systems and their deep-seated anti-liberal prejudices constitute a psychological bloc to their acceptance of the idea that a market economy could eventuate in anything except social atomism, exploitation, and depression. They therefore seek to diminish Erhard's achievement by arguing as follows: the dose of the market economy medicine which was given Germany after 1948 was much diluted, hence it cannot have worked. As Wilhelm Roepke has aptly observed: "How wonderfully efficacious this medicine must have been if it worked even under such handicaps!"

Refugees Reach

NEIL P. HURLEY, S.J.

A DETERMINATION to isolate Berlin and thus close the chief escape hatch from East Germany is commonly considered the primary reason for Premier Khrushchev's latest threat to world peace. The motivation — the necessity even — behind such a move is no mystery.

Explaining the appeal of communism to the Asian mind, the Indian author of a recent book observed:

The advantage which the Reds wield over Asia's hungry masses is that the strength of communism lies in its promises. The strength of democracy is in its performances. Only those who have truly savored the dignity of democratic living and known the value of individual freedom are willing to defend it with their lives.¹

No more convincing documentation of this statement exists than the almost two and a quarter million persons who have fled from East Germany since the communist German Democratic Republic was proclaimed.²

¹ Frank Moraes, *Yonder One World. A Study of Asia and the West*. Macmillan, New York, 1958, p. 209.

² Regular statistics have been compiled by the German Federal Ministry for Expellees, Refugees and War Victims only since September, 1949. The figure covering the period from September, 1949 to August, 1958 is 2.1 millions. It is estimated that another million escaped from East Germany in the four years following the end of World War II. The exact figure for 1958 is the fifth successive year when more than 200,000 East Germans fled from their communist-ruled land, is 204,061.

Each day an average of 700 persons leave their place of birth, their homes, their friends and even in some cases their immediate families to seek out an unknown destiny in the free West. One cannot readily convey the heart-rending drama which lies hidden beneath impersonal statistics. Families smuggle their children over the border, hoping that perhaps they can rejoin them later at a more propitious time; a wife and child succeed in escaping but the father is arrested and given a two-year prison sentence; loved ones and friends part company, wondering if they will ever meet again. These are the sacrifices entailed by those "who have truly savored the dignity of democratic living" and who cannot bear the climate of totalitarianism.

The unique position of Berlin as an island-city in the Red sea has provided the surest means of escape for the citizens of the German Democratic Republic who seek flight to the West. Some still filter through the heavily-policed forests of Mecklenburg or Thuringia but the most popular means of escape is still the S-Bahn, the subway network which spans both sectors of Berlin and which is supervised by the communists. One merely boards a train in East Berlin and emerges as a refugee in one of the stations in West Berlin.

Berlin

Having failed to absorb Berlin by their blockade in 1948, the communists can do little to prevent seepage of refugees from the East Zone.³ They have tightened up controls along the border areas of West Germany, earlier the scene of many *hejiras* toward the Mecca of liberty in the West. According to the terms of the 1945 Potsdam Protocol, however, there is to be no restriction on passing from one occupation sector to another in this city of quadripartite rule.

As a result, the communists can only regulate entrance into Berlin. With the increase in number of refugees, the German Democratic Republic has made it more difficult for people to obtain a visa to visit relatives, to attend funerals or to do business in West Germany. Anyone drawing large sums of savings from his bank account is immediately reported. Police and informers are posted on all trains between the two Berlins. Police patrols along the borders have been multiplied. But the hole in the Iron Curtain cannot be plugged as long as people can shuttle back and forth between East Berlin and West Berlin. Mingling with

the thousands upon thousands who daily commute between the East and West Sectors of Berlin either to work or to shop or to visit the opera are those who seek to shape their future lives under a new political regime.

The statistics on refugees from East Germany, compiled over the past nine years, are quite revealing. They tell us the ages of those who are fleeing, their religion, their occupation, the months when the flow is greatest and least and allow us to draw conclusions about the future composition of East Germany's population. Let us examine these questions one by one.

Majority under 45

First of all, the age profile of the refugees discloses that the majority are under 45. One set of statistics covering the period from 1945 to 1955 testifies that one-half of the 2,445,000 refugees were between the ages of 18 and 45.⁴ The figures provided by the Federal Minister for Expellees, Refugees and War Victims for the period from January 1, 1956 to July, 1958 reveal that some 50 per cent of all refugees are under 25 years of age, another 25 per cent are between 25 and 45, 20 per cent between 45 and 65, while the remainder (5 per cent) are 65 and over.⁵ It is quite obvious that the depopulation of East Germany and the East Sector of Berlin is affecting

³ For the story of the 300 days of the Soviet blockade from June 24, 1948 to May 12, 1949, cf. Curt Riess, *The Berlin Story*. Dial Press, New York, 1952, pp. 168 ff. Also W Phillips Davidson, *The Berlin Blockade: A Study in Cold War Politics*. Princeton U. Press, 1958.

⁴ Cf. *Deutsche Flüchtlinge zu Deutschen: Der Flüchtlingsstrom aus dem sowjetisch besetzten Gebiet nach Berlin*. Senator für Arbeit und Socialwesen, Berlin, 1956, p. 17 ff.

⁵ Special report of "Der Bundesminister für Vertriebene, Flüchtlinge und Kriegsgeschädigte." Berlin, August 5, 1958.

The author is a New York Jesuit studying at Innsbruck.

the younger generations in those areas and is depriving the Soviet-controlled areas of Germany of future labor potential.

With regard to the professional groups and crafts represented among the refugees, the following table gives an illuminating breakdown for the period from January 1, 1956 to July 31, 1958:⁶

Occupation Group	1956	1957	1958 1st quarter	1958 2nd q.	1958 July
Agriculture and Livestock	6.2%	6.0%	4.8%	4.8%	4.7%
Industrial and Manual Workers	21.3	23.6	19.5	18.8	17.9
Technical Workers	2.0	2.1	2.0	2.3	2.0
Engaged in Trade and Transportation	12.0	12.0	11.8	11.7	11.2
Household, health, etc.	4.7	5.2	6.0	5.5	6.2
Administration & Law	3.5	3.3	4.2	4.3	4.8
Artists, teachers, clerics	1.4	1.4	2.0	2.5	2.9
Unclassified	10.0	11.0	9.5	9.6	10.3
Total Gainfully Employed	61.1	64.6	59.8	59.5	60.0

Occupational Group	1956	1957	1958 1st quarter	1958 2nd q.	1958 July
Total gainfully employed	61.1%	64.6%	59.8%	59.5%	60.0%
Those on pension or relief	5.4	5.0	6.8	6.4	6.0
Housewives not working	12.4	10.8	11.6	11.8	11.2
Children of school & non-school age	20.6	18.9	20.8	20.8	21.6
Students	0.5	0.7	1.0	1.5	1.2
Totals	100.0	100.0	100.0	100.0	100.0

Artisans the majority

It is to be noted that industrial workers and manual workers, the favored class in all communist countries, make up the largest single group of refugees. In the first half of 1958 alone, a total of 18,888 workers and artisans chose the path of freedom toward the West.⁷ Arrests, food shortages, subtle religious persecution; planned economy pressures on workers, collectivization of shops and factories, expropriation of private property, restricted visits to the West—all play a role in creating the atmosphere of dissatisfaction which leads to flight.

One is struck also by the large num-

ber of young children who reach the West German Federal Republic. The reasons are not hard to find. Children, who are not permitted by their parents to participate in the special communist rite of consecration (*Jugendweihe*), have no opportunity to receive higher education. The children of Party officials, intellectuals and workers are accorded priority in being admitted to

universities and higher technical schools. Only recently the Party decreed that students must take an oath of non-belief in any religious faith as a qualification for advanced schooling.

A new and frightening factor making men turn their minds toward flight is the stepped-up regimentation of children in the school system. Under the guise of "polytechnical lessons" all school children are being drafted for work in factories and farms. Through the age of twelve youngsters will do practical handiwork in the schools. From thirteen onward they will be forced to work one day a week, supposedly from four to six hours, in state-run farms and factories. At thirteen they will work alongside apprentices; at fourteen they will be engaged in actual production; at fifteen they will

⁶ Loc. cit.

⁷ "12 Years Under Communism and They Still Flee," *U. S. News and World Report*, September 26, 1958, p. 85.

give two weeks consecutive work a year to the state; at sixteen boys will take examinations as truck drivers and tractor operators. All pay received for their work will be applied against expenses for financing the projects. According to Walter Ulbricht, chief of the East German communists, the object is "training our children to love work and the workers."

Students and Professional People

Such policies naturally spur the flight of students toward Berlin and West Germany. In the academic year 1957-1958 one fourth of all the high school seniors in the German Democratic Republic registered an effective, if silent, protest against conditions there by fleeing their homeland.

Changes of direction in the political pendulum of communism are also sensitively recorded in the number of artists, teachers and intellectuals who seek asylum in the West. A doctor refuses any longer to be coerced to join collective farms as a government employee. Physicians are disgruntled to find that sick leaves, which they have advised for ailing industrial workers, are cancelled by communist bureaucrats in order to minimize absenteeism. Lawyers

are harshly discriminated against once they have defended a private client against the government. Engineers must sign "peace resolutions" and spy on fellow workers who are suspected of anti-communist sympathies. Teachers and professors feel they are betraying their calling in serving a monstrous system of education where truth is a function of political power. Journalists, literary men and artists feel party proscriptions confining and destructive of creativity.

Typical of the many thousands of professional men who despise the present authoritarianism of the *Deutsche Demokratische Republik* (DDR) is Dr. Josef Haemel, former President of Jena University, who, on the eve of the 400th anniversary of that institution, fled to West Germany. Upon being interviewed, Dr. Haemel said that a reform plan of "democratic centralism," whereby representatives of the party, the communist youth organization and the trade unions were to sit in on the university's policy-making body, would quickly "change decisively the structure of the university."⁸ Dr. Haemel was one of 3,000 educators who, in the first nine months of 1958, fled from a land where all thought is made to fit into the Procrustean bed of Marxist thought. Since 1952 more than 1,500 physicians from East Germany have sought refuge in the West, 641 during the first six months of 1958 alone.

The "modus vivendi" in the DDR is such that whoever does not cooperate with the party apparatus is automatically excluded from any professional or



⁸ "A University President Tells: 'Why I Left East Germany'," *U.S. News & World Report*, September 26, 1958, p. 87.

social future. The churches are still open because the communists realize that direct persecution would make bad publicity in the world press. Their most effective recourse is to bestow lavish privileges on those who renounce faith in God. For example, on the same day that Catholics hold their annual Corpus Christi procession, they will offer the children of the neighborhood a free bus ride to some picnic grounds. It is a fact that by bribes and blackmail they have adduced false evidence in order to ruin the reputation of the clergy, especially that of celibacy. Bishops are told that if their sermons and those of their pastors are not more innocuous, the denominational youth movement in that area will be discontinued.

The greatest number of refugees, incidentally, are of the Evangelical faith. From January 1, 1956 to July 31, 1958 77.5 per cent of all refugees were Protestants of Evangelical denominations; some 15.5 per cent were Catholics and the rest (7 per cent) were of varying beliefs and non-beliefs.⁹

Solidarity in suffering

The common threat of atheistic communism has served to bring all the faithful of every creed closer to one another in sympathy and union. Probably the most striking evidence of this was the Berlin *Katholikentag* in August, 1958, when Bishop Julius Döpner of Berlin, on behalf of the 170,000 Catholics who were assembled in and around the Olympia Stadium, thanked the Protestants for their generous coopera-

tion in making this biennial Catholic gathering a success.

Destination

Where do most of the refugees go ultimately? Fortunately the prosperity achieved under economic policies of Finance Minister Ludwig Erhard has created employment opportunities for large numbers of East Germans. Of the three million persons who have left East Germany since the capitulation of the Third Reich, three-fourths have been of working age. The following table shows the distribution among the various German provinces (*Laender*) of those migrating into West Germany from outside that country.¹⁰

Province	Number of Incoming Refugees for the Year 1956
Northrhine-Westphalia	140,420
Baden-Wurttemberg	58,410
Lower Saxony	32,395
Hessen	30,580
Bavaria	27,378
Rhine Palatinate	21,528
Hamburg	15,954
Schleswig-Holstein	6,734
Bremen	5,995
Total	339,394

East German refugees prefer to settle in the industrial regions of the West German Federal Republic, the port of Hamburg, the Ruhr in Northrhine-Westphalia, the industrial triangle formed by Saarbrücken, Stuttgart and Mannheim in Baden-Wurttemberg, the financial-commercial center of Frankfurt in Hessen, Hanover in Lower Saxony and Munich in Bavaria. The general estimate for such industrial hives as Dusseldorf, Essen and Stuttgart is one refugee for every three inhabitants.

Not all the refugees are evacuated into the provinces of West Germany;

⁹ Special report of "Der Bundesminister für Vertriebene, Flüchtlinge und Kriegsgeschädigte." Berlin, August 5, 1958.

¹⁰ "Die Westdeutschen wandern noch immer," *Deutsche Zeitung und Wirtschaftszeitung*. Nr. 68/1957, August 24, 1957. Figures are given here for migrations within the Bundesrepublik as well as from outside.

many remain in Berlin and some are even returned to the East Zone because of communist connections, criminal records or because they are generally undesirable. From January 1, 1956 to July 31, 1958, 46,755 (or 8.7 per cent) of 536,024 refugees stayed in Berlin; the others were distributed among the provinces of West Germany. It is interesting to note, moreover, the seasons when various groups of refugees elect to flee. The months in which invariably the fewest migrate are December and January; perhaps the cold introduces added difficulties in escaping and the thought of inadequate facilities in most reception centers probably counsels a warmer season. The months of heaviest traffic are August and September. Obviously students and professors prefer to escape after the school year has been completed. Similarly most farmers and agricultural workers would naturally wait till the harvest is in.

Besides predictable highs and lows for given months, an interesting pattern is evident in the varying socio-political conditions in East Germany. Let us take an interesting period as an example. From February 1953 to July 1, 1953 some 202,778 refugees streamed across the borders of the DDR into West Berlin and West Germany. This extraordinarily high number represented a daily average of 1,350 persons for a period of five months. What caused this unusual flood of discontented humanity? In January the Foreign Minister of the DDR was arrested and the Christian Democratic Party was purged. In February compulsory collectivization was stressed and the liberty of the churches curtailed. A food crisis at

the same time aggravated conditions. In March the government took measures which alienated the crafts and industry. In April ration cards were refused to private businessmen and the Evangelical Youth Organization was branded an "enemy of the State." In May production quotas were raised 10 per cent against the workers' wishes. Finally on June 17th an uprising was started in East Berlin and spread to Central Germany; needless to say, the revolt was harshly repressed. Every new turn of the wheel on the communist political rack drives more people, especially workers and intellectuals, into West Germany.

What, then, is the attitude of the government in Bonn toward refugees? A highly ambivalent one. Still entertaining hopes of reunification, West Germany wants to weaken the Soviet regime in East Germany on the one hand and, on the other hand, to have sympathetic forces there if an opportune moment for revolt ever arises. The practical difficulties of absorbing additional population into sectors already overcrowded prevents the Bonn government from pursuing an outright policy of encouraging flight from East Germany. However, all refugees are declared by the Federal Republic's Constitution to be Germans, not aliens. The stream of skilled, educated and



willing workers has greatly aided the prosperity in West Germany; this healthy economic condition has, in turn, enabled more refugees to find employment in a nation whose economy is quickly reviving itself. The only question is: can the Bonn government continue to accept the more than 3,000 refugees who seek asylum each week? In early September, 1956, for instance, some 25,000 refugees inundated all existing facilities in Berlin so that an emergency airlift was necessary to expedite evacuation to West Germany.¹¹ The problem is definitely a ticklish one; "to flee or not to flee, that is the question." The Bonn government does not encourage it; in practice, however, it has shown itself willing to provide shelter and the opportunity for a new life to those who do.

Of course, communist authorities are disturbed by this never-ending exodus which is rendering the East Zone economically anemic. It must not be forgotten that, next to Red China, East Germany is Russia's largest trading partner. In the latter months of 1958 more stringent controls were introduced. The *Volkspolizei*, the East German police force, have been alerted to question people suspected of flight. Anyone carrying more than a brief case or a pocketbook is considered likely to escape. When the Party is seeking to make over the youth of East Germany into its own image and likeness, force and police state tactics become normal

and endemic. Communist authorities have declared "Flight from the Republic" to be a crime punishable by up to three years imprisonment. Next of kin may also be held responsible for an escapee's dereliction.

Transmogrification

The most fearful result, however, will be the complexion of East Germany's population in the next generation. Traditionally part of a Christian nation with deep roots in the heritage of Western liberty and human dignity, East Germany is witnessing an acute depopulation; one, moreover, primarily of those inhabitants who cannot digest communism's ideology. In due time only the politically reliable—the convinced communist—will be left behind to produce a later generation raised on atheism and dialectical materialism. If this mass brain-washing program is allowed to gather momentum, then all hopes of reuniting Germany will be impossible. Cultural ties and identity of theological-philosophical values are the necessary constituents for political union. Today the majority of East Germans ideologically share one inheritance with their brothers of the German Federal Republic. The memory of a nation, however, does not remain green when new thought currents and life-values are constantly being pumped into the minds of the young. This is the tragic element in the relentless flight of refugees from East Berlin and East Germany. At the same time that this exodus bears witness to the essential emptiness of the ruling party's *Weltanschauung*, it is a sort of *Memento mori* on the wall, prophesying the complete transmogrification of East Germany into a full-blooded Soviet state.

¹¹The problem of resettling escapees from East European communism has been also seriously considered by the United Nations and the U. N.'s High Commissioner of Refugees. Cf. Gertrude Samuels, "On the World's Conscience," *New York Times Magazine* Section, January 16, 1955, pp. 13 ff.

The Septuagenarian Speaks His Mind

GOETZ BRIEFS

TO ENCOUNTER the present author among the contributors to his own *Festschrift* may seem too much of a good thing. I make haste to assure the reader that I have no desire to write about the *Gesta Dei per me ipsum*. I have simply accepted the Editor's kind invitation to jot down some observations on the changing American scene since my arrival in this country.

A grant from the German Foundation for Economic Research offered me the opportunity to study American industrial relations in the setting of the liberal capitalist system. This was in 1928. What first struck me was the fact that, contrary to European experience, labor unions in the United States had not much of a chance. Prosperity seemed to diminish rather than to increase the workers' interest in their unions. In addition, the injunction and yellow-dog contracts were frequent. Security, therefore, was a union problem. Although there were pockets of unemployment, the worker-security issue did not appear to be pressing. I was quite puzzled by the wide range of estimates of unemployment; the figures as suggested by competent observers varied from 1.5 to 3.5 million.

The prevailing mood of that time was recklessly optimistic. I recall a talk with the management staff of a large corporation in the Middle West. These gentlemen indeed were very generous with their time and their information. Among many other things they told me that American business had discovered the secret of permanent prosperity: it lay in the payment of high wages and salaries; and "... thus we finance our own boom." I ventured some doubts, calling attention, in particular, to variations in demand elasticities, to the possibility of overinvestment and over-speculation. All this was graciously listened to, but politely dismissed. Some months later, when I met Dr. Ernst Wagemann, then president of the German Bureau of Business Research, in New York, I shocked him by my dire forebodings of a coming depression.

In September 1934 I returned to this country, this time for good. A depression of unprecedented depth held the United States in its grip. The "permanent prosperity" theme was then a mocking memory. There was an almost naive confidence in the federal government as the one power capable of pulling the country out of the economic doldrums. Much against its official con-

notation, the term "liberal" now meant trust in government action, belief in government spending and taxing as the chief means to restore prosperity. The government, in turn, placed confidence in strong unionism and parity prices for farmers, together with a long line of monetary and credit policies. Naturally, social groups felt the need more than ever for security through organization; and more than ever organized groups expected government action in their favor.

To be sure, interest organizations were no novelty. As a rule, however, they had been tentative and sporadic. They were held in check by adverse legislation, unfavorable public opinion; last, but not least, market conditions and the credit volume had restricted the scope of their activity. Cartels and monopoly were outlawed by the Sherman and Clayton Acts; after short-lived experiments with NRA Codes, the legal embargo was restored. With the advent of the New Deal, the checks on unions and similar interest organizations were either removed or greatly relaxed. As a result, the rush into pressure groups spread far and wide. Their aims were "fair" prices for agricultural products, "decent" wages and improved working conditions, "fair" profits—in the name of "justice against the blind market forces." The issue of justice, obsolete for almost 300 years, suddenly was popular. Economists of rank, who yesterday would have reprimanded the use of the term in an economic context, now began to pay their respect to the concept, if not to elaborate its connotations.

Let us look more closely at the meaning of justice in a society struc-

tured according to organized group interests. It is imaginable that these groups function as members of an integrated, hierarchically ordered whole; furthermore, that a good common to all groups and individuals would be accorded recognition; finally, that both social and commutative justice had their ordering and regulating task. Unhappily, the pluralistic society of our time is of a different design indeed.

Rules for collective action

What is this design? Its "law of origin" is the liberal and individualistic doctrine and reality of the 19th century, based as it is upon the principles of individual self-determination, self-interest and competition. To Adam Smith these principles were more than the mere rules of the economic game; however, Bentham was the first to interpret them as utilitarian rules of behavior for the maximization of individual happiness. And he argued that the utilitarian moral calculus would maximize also the happiness of the greatest number. As the pseudo-theological basis—Smith's "invisible hand"—lost standing and credit, as, moreover, the utilitarian argument proved amiss both in theory and reality, the road was open for the interpretation of these principles as mere rules of the economic game. And there were frictions and conflicts enough to invite tampering with the rules. The finally successful and dominant way of tampering with them was the formation of pressure groups. The secret of their success was their adoption of the individualistic rules of the game; the rules thus became rules for collective action. Each organization developed its own defense mechanism against what it felt to be

"submarginal" market conditions, whether these were wages or prices or profits "which are unjust to us."

The common good forgotten

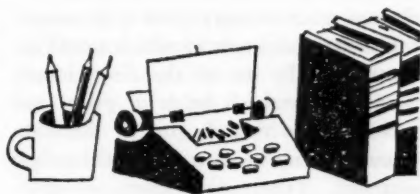
Let it be understood that the organized groups harbored no image of a good common to all; nor had they a clear understanding of what "justice for us" meant in concrete terms and on concrete occasions. They had to test the market with regard to its elasticity for price and income goals. In this undertaking they were autonomous as regards their definition of "justice for us;" the final decision about the proclaimed goal lay with the market and the resistance of opposing groups. As these interest organizations developed, they learned their own limitations; the rhythm of the economy taught them that there were times when they could push ahead and other times when they must sit tight. During their period of incubation, the fledgling interest associations thus were kept within bounds.

The advent of the fully developed pluralistic society led to profound changes. The first one was the removal of some of the checks mentioned and the relaxation of others. The outstanding example is the New Deal labor policy, another one is the New Deal farm policy.

The second change consisted in the impact of pressure groups on the legislative process and on the administrative agencies of the government. Democratic forms, by their very nature, are more open to the shift of social and economic interests into the political forum than are other systems. Rid of the most formidable checks, the fully developed pluralistic forces, unit by

unit, get accustomed to pursuing their private ends in both spheres, the economic as well as the political. Hence the third great change: under the impact of the pluralistic forces democratic government itself turned pluralistic. Democracy became pragmatic; expediency replaced its traditional rational and metaphysical foundations.

If this is granted, we are confronted with the fact that the secondary phase of economic liberalism, as expressed in the pragmatism of pluralistic forces, encounters in the political sphere the third phase of democracy: democracy grounded in mere expediency. The pragmatic society, divorced from natural law and first principles, is the fateful reality of our time.



Pragmatism, as here understood, destroyed the Weimar Republic; it has been the angel of temptation for many nations beset with untested democratic forms and chronically precarious economic conditions. Wherever the mingling of pluralistic forces with pluralistic government is backed by both well-established democratic traditions and a progressive and prosperous economy, it can go a long way. Yet, here too, there is a price to be paid, the cost of inflationary pressures. If government, for example, accepts responsibility for full employment, while pressure groups zealously guard their right to "justice

for us," inflationary pressure is built into the very structure and functioning of society.

An example

At the Hearings before the Senate Subcommittee on Antitrust and Monopoly, held in July, 1957, the following truly Socratic dialogue between Dr. John M. Blair, Chief Economist of the Subcommittee's staff, and Dr. Gardiner Means, appearing as witness, took place:

Mr. Blair: The last question is just to clarify my own thinking. On page 9 [of your testimony] you say:

I have been unable to discover purely economic forces which will insure that this discretion will be used in a manner that will serve the public interest.

The point, as I understand it, which you are making there, is, that in an administered price industry there is no unseen hand that you know of which would insure that the use of the discretionary power to establish levels of prices and production within the zone of discretion would in fact be exercised in the public interest. There is, in short, no automatic mechanism?

Mr. Means: No automatic mechanism.

Mr. Blair: Then on page 10. . . you are also referring to the lack of any automatic control mechanism when you are referring to the possibility that we may have rises in the price level resulting from price increases in administered price industries, which might then be followed by the use of monetary and fiscal measures to effect relatively full employment at that higher level, then further price increases . . .

Mr. Means: That is right.

Mr. Blair: Then, further use of fiscal and monetary policy to bring about full

employment at that higher price level and so on, more or less *ad infinitum*. You see no built-in ceiling to this process?

Mr. Means: That is right.

Mr. Blair: No ceiling which would hold in check what we might term this leapfrogging of administered price increases, followed by expanded fiscal and monetary policies?

Mr. Means: This is what Sumner Slichter is referring to. The essential difference between us is the emphasis he puts on wage rates as the initiating factor and I think it can come either way, and does come both ways.¹

Our quote hit upon an essential truth emerging during a fleeting moment in the protracted Hearings on Administered Prices. Government responsibility for maximum employment is the law of the land; but there is another law of the land which recognizes the autonomy of pressure groups in the pursuit of "justice for us" as defined by themselves.

Defined in terms of what? Well, in terms of "our power to press our claims." Of course, nobody would phrase it exactly that way; it is good policy to guard the amenities. In addition, there is always a travesty of Keynesian economics to fall back upon. It is sometimes phrased as: "justice for us" increases aggregate demand and thereby employment and prosperity all around. Still, the stark facts are there for everybody to see: the 19th century competitive market struggle has been widely replaced by the struggle among organized pressure groups and their competition in government. Briefly, "jus-

¹ p. 122 of the *Hearings*, Part I.

tice for us" has been shifted into the dangerous neighborhood of the definition: "The radius of our pressure power defines the meaning of justice for us."

The pressure potential of the various groups shows tremendous variation, both generally and in terms of circumstances. Some groups are powerful in economic and political terms, others merely in the one or the other, again others lag far behind in terms of both. And at the base of the totem pole are the truly forgotten groups, unable to make their voices heard. Many among them are victimized without realizing it, or they raise their voices without penetrating the din of the more powerful ones. Professor Galbraith observed during the same Hearings:

I am impressed with the amount of damage that it [inflation] does to the weakest, most vulnerable people in the community . . . I was in Louisville yesterday, talking with a group of schoolteachers. One of them said, in a rather depressed voice: "When do you think we will ever have a wage increase which is not eaten up right away by inflation?"

Government's role subverted

Clearly, the issue of responsibility is wide open. A comfortable escape for the groups is to shift their responsibility to the government. This procedure has earned the government the dubious title of the "Welfare State." From times immemorial, government has been recognized as the trustee of the common good, of the welfare of society as a whole. By contrast, it is characteristic of the Welfare State that it assumes responsibilities for special welfare as defined by a multiplicity of social groups in their own terms. To hold, in that confusion of conflicting

special claims, the line of the good common to all is a well-nigh impossible task.

To blame the government for the consequences of pressure group action is false. In regard to inflation, for example, the ways and means of government in meeting its obligations are few. It can tax and spend, and it can complement its taxing power by using the printing press. The government's material equipment is bureaucracy. As it proliferates its functions, it encounters diminishing returns. In brief, the more that the government is turned into a trustee for organized special interests, the greater its need to tax and to regulate over an ever increasing range of life.

Government cannot be held finally responsible for group action as long as groups are allowed free play. But who has the responsibility? There is only one answer under current conditions: No one. The groups try to put the responsibility on everybody and everything—except on themselves. The tremendous problems of the division of responsibility between group and government remains to be solved.

There is one aggravating circumstance to be mentioned here. As interest groups grow, they develop their particular urge toward institutional survival and expansion. Originally leaving a large share of responsibility to their members, their institutional interests increasingly advise expansion of their representative functions. In this process, ever more personal responsibilities are assumed by (when not claimed for) the organized collectivity. A drift toward "total representation" is undeniably taking place; the widest range of in-

² Ibid., p. 61.

terest and responsibilities of members is shifted to the competence of special collectivities.

A truly amazing expression of this drift can be found in a brief submitted by the A.F.L. to the Supreme Court. Here it is flatly stated that unions are "the government over jobs," and that therefore no worker has a right to hold a job unless he be a member of a (recognized) union.³ The author of the brief must have been utterly unaware of the fact that he revived an old feudal principle, the principle of *nulle terre sans seigneur* (no land without its overlord). That such a claim could be raised by an organization originally founded by workers in defense of their individual rights is proof again of the deep confusion caused by lack of principles. If "justice for us" comes to mean "as far as our pressure power reaches," then there is danger that power really will carry two evils in its wake: social and political corruption, along with the negation of the rights and dignity of the human person.

The issue

The Western world has to ask itself: *Custos quid de nocte?* It won't do anymore to answer with a facile optimism or with a policy of muddling-through. The rise of associations, of social substructures, was an urgent need if the dogmatic individualism bestowed on the Western world by the era of the Enlightenment was to be liquidated. Are we any closer to a truly human society if the executioner is robust group-individualism? Is the merger of state

and society, so characteristic of our pluralistic age, any improvement over the strict separation between state and society as classical liberals would have it? Isn't it time to get out of that dialectic between classical and group-individualism by finding the true meson of man and society? Professor William Orton remarked that the liquidation of dogmatic individualism⁴

by itself solved no fundamental problem. Human purposes are not necessarily purified or ennobled by being pursued in association; they merely gain a higher potential, for better or worse.

And again:

Obviously, therefore, when or if the provision of more benefits for more people encounters financial or economic difficulties, an increase in state power must be forthcoming, and private interests can hardly be allowed to stand in the way. On what conceivable ground could they stand?

There are more roads than one to totalitarianism.



I confess I feel somewhat apologetic for these critical observations. The reader may write them off as the quirks of a septuagenarian or as the "residues" of a European who could not fully grasp the mind and heart of America. *Habeat sibi*; I have no quarrel with such judgments. One thing, however, I earnestly desire to assert: my profound concern for this great country of my adoption, the Land of my children and children's children; and my deep concern for the values rooted in the Christian heritage which have made this country truly great.

³ Supreme Court of the United States, October Term 1948, A. F. of L. *Et Alii* Appellants v. American Sash and Door, Appellees.

⁴ *The Economic Role of the State*. The University of Chicago Press, 1950, p. 82.

Books

THE MAN IN THE WHITE HOUSE, HIS POWERS AND DUTIES. By Wilfred E. Binkley. Johns Hopkins Press, Baltimore, xiii, 310 pp. \$6

In spite of the relatively large number of books on the Presidency that have been published in recent years, there is always room for one more on this apparently mysterious institution that seemingly defies complete revelation. Professor Binkley's book is only the latest in a long line; it also attempts to put into capsule form much of what others have done at greater length. The almost 300 pages of text are well-nigh encyclopedic in the amount and variety of information on the Presidency. However, the whole remains very readable, is well organized and maintains a high level of interest. This is true despite the fact that much of the material may not be at all new to many readers.

The book begins with a chapter which surveys some of the precedents and usages that lie behind the office; it then proceeds to a notation of the backgrounds of some of the men who have held the office, this latter by way of answering the question of where we get our Presidents. The chapters that follow cover the various "moods" of the President from his nomination and election through his relations with fellow politicians and Congress and the exercise of his specified and his implied powers to the problem of the Vice President and succession to the Presidency. Within each chapter there is a treatment of the men who have been President in relation to that particular aspect of the office that happens to be the subject of the chapter. This treatment is basically chronological through the chapter as a whole or within units of that chapter. At no one time, however, are all of the Presidents covered in these surveys.

One of the better portions of the book deals with a national primary as a means of nominating candidates for the Presi-

dency. In a few pages Professor Binkley summarizes the case for and the case against Presidential primaries together with a "flash back" to see how the primary might have worked in other years. There are some interesting items on the cabinet and on Presidential war powers. Readers will find attractive the author's treatment of how a Vice President became President and set the pattern for the half-dozen others who have followed to this time. There is also a very good summation of the Presidential Succession acts that Congress has provided for us over the years.

The book is scholarly in approach although with a tendency to lack objectivity at times. The whole is well documented and, worthy of the gratitude of the reader, the footnotes are at the bottom of the page where they should be for quick, convenient reference. There is a good bibliography in the appendix as well as an index.

PAUL C. BARTHOLOMEW
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A BLACK CIVILIZATION (revised edition). By W. Lloyd Warner. Harper, New York, 618 pp. \$6.50

This penetrating analysis of the social system of the Australian Murngin aborigines shows clearly that the competent study of any functioning social system can contribute greatly to our general understanding of man and society. Because he presents detailed information on both social structure and social logics, Warner is able to make Murngin society come alive as a unique, meaningful, human whole. An added feature in the revised edition is the inclusion of new life history material related to the structural and symbolic analysis in the original text. The publisher is to be congratulated for making this important study once more available.

Letters

Christian trade unions

May I be permitted to make a brief comment on the articles on Christian trade unions by Père Jarlot and Father Latchford (March issue) in the light of the position of the British trade unions.

It is worth noting that the position in Britain is really quite different from that on the Continent or in America, for there is both a strong Labor Party and a monolithic trade union structure, and the trade unions are increasingly pressing for the enforcement of the union shop (or, in the case of the craft unions, the closed shop). In Britain, there is certainly a need to protect the individual's right to work, though this is not to say that there is a case for "Right to Work" laws of the kind that some people in America have recommended. On the other hand, it is quite wrong that the trade unions should continue to enjoy their virtually complete freedom from legal control. Where the union shop is successfully enforced, a man who is expelled from his union for a breach of its rules is likely to lose his job. Even if the union rules are reasonable, such a sanction ought not to be exercised by any organisation without a right of appeal to the courts. In fact, a man may easily be expelled for refusing to take part in a strike that he believes (and is) entirely without moral justification.

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The two articles of Père Jarlot are amply satisfactory in that they give a clear idea of the historical necessities which account for the rise of Christian syndicalism especially in France.

What should be clarified is that neither pluralism nor confessionalism in the trade union movement is really an exigency of Christian social doctrine. As Père Jarlot says (March, p. 109), "It is not a question of clericalism or of denominationalism or of isolation in a ghetto or of any subser-

vience but rather of the demand of a doctrine." Which means that, once the problem of protecting Christian workers is solved, trade unionism would be able, as the defender of the interests and professional rights of its members, to enjoy the advantages of unity. What is important for Christian workers is the security of being able to affirm their beliefs and to be respected in them, and to be able to realize the furthering of the working class according to the principles of Christian social doctrine.

One of the reasons which Père Jarlot gives in favor of pluralism is based on the events which have taken place in Poland, Hungary, etc. But it seems to me that he does not make a sufficient distinction between trade union unity or a single trade union movement, desired by the working class, and the government unions which exist behind the iron curtain. A plurality of unions will be impossible in any state subject to Communism, and this not so much because of the controversial reasons *pro* or *con*, but rather because of the necessity of monopoly on the part of the Marxist dictatorship.

Unfortunately, the controversy is often stated in absolute terms; however, neither total unity nor plurality in the trade union movement is an absolute good. To have one or another type of union structure necessary depends upon concrete historical circumstances (and, here let us keep in mind the reasons proposed by Cardinal Gibbons in his "Memorial," in defense of the Knights of Labor). These circumstances are determined by ideological influence, economic structure and the sociological characteristics of each country.

What is important from the point of view of Christian social doctrine, it seems to me, is that whether the trade union movement in a country is unitary or pluralistic in structure, it should make explicit its decision to recognize and defend as its goals an ethical order which corresponds to the exigencies of human nature, an order on which the Christian social doctrine is based.

ALBERTO J. SILEY, S.J.

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